General Ledger

Account Usage

ETMTA11

Document Number APTRN

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This document has been prepared to conform to the current release version of TRAVERSE Accounting Business Software for Windows. Because of our extensive development efforts and our desire to further improve and enhance the product, inconsistencies may exist between the software and the documentation in some instances. Call your customer support representative if you encounter an inconsistency.

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ACCOUNTS PAYABLE

ACCOUNTS PAYABLE AND GENERAL LEDGER

The TRAVERSE Accounting Software Accounts Payable package is designed to suit the basic needs of almost any firm. The Accounts Payable System will track invoices from vendors, pay invoices, and create a number of management reports. The system can also be used to track Recurring Entries (transactions that require the same payment on a regular schedule).

In order to clear up confusion on accounting methods employed by Open Systems, Inc. in the design of the Accounts Payable module, this a model of the flow of accounting entries between **Accounts Payable and General Ledger**.

For our example we will use a printing firm. First we will purchase paper to be used in our manufacturing operations. Then we will return some of that paper. In the payment cycle we will pay for our invoice, along with making our regular lease payment on our printing press. We finish by doing period end activity.

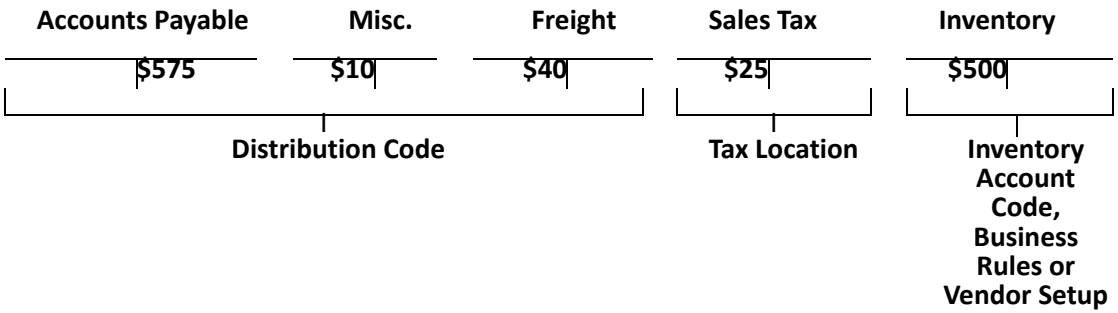
1. **Enter Purchases**

We purchased some paper from a vendor, at a cost of $500. The invoice also included: $25 sales tax (calculated from tax locations), $40 freight charges and $10 for handling.

Information on vendors is stored in the vendor table **(tblApVendor)** and viewed and edited in the Vendors screen, including attribute tables for Terms Code **(tblApTermsCode)**, Setup and Maintenance, Terms Codes and Distribution Codes **(tblAPDistCode)**, Setup and Maintenance, Distribution Codes.

The invoice information is stored in the Transaction tables **(tblApTransHeader) and (tblApTransDetail)**, Transactions, Transactions function, until posted. The Post Transactions function transfers information in the Transaction tables into the Open Invoice Table **(tblApOpenInvoice)**, Invoice view and Pay Invoices, Hold Release Invoices.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.



Information on vendors, such as Terms and Distribution Codes, is stored in the Vendor Table **(tblApVendor)**. The Distribution codes are stored in the Distribution Code table **(tblApDistCode)** and define the accounts to be used for Freight, Miscellaneous, and Payables. The sales tax amount is calculated from the **Tax Locations** which are assigned to **Tax Location Groups** from the **Tax Setup** menu under **System Manager**. The General Ledger tax expense account comes from the Tax Locations setup. If Accounts Payable is not interfaced to Inventory, the default inventory account in Accounts Payable Business Rules or the account assigned to the vendor in the Vendor setup is used.

2. **Return Purchases**

We ordered some of the paper in the wrong color and we had to return it ($50.). We are refunded our original cost for the paper along with the sales tax. The freight and the handling charges are not refundable.

Use the **Miscellaneous Debits** transaction type in the **Transactions** function to enter the return. Do not enter a negative number when entering the quantity. The system knows that the transaction is a miscellaneous debit.

The invoice information is stored in the Transaction tables **(tblApTransHeader) and (tblApTransDetail)**, Transactions, Transactions function, until posted. The Post Transactions function transfers information in the Transaction tables into the Open Invoice Table **(tblApOpenInvoice)**, Invoice view and Pay Invoices, Hold Release Invoices.

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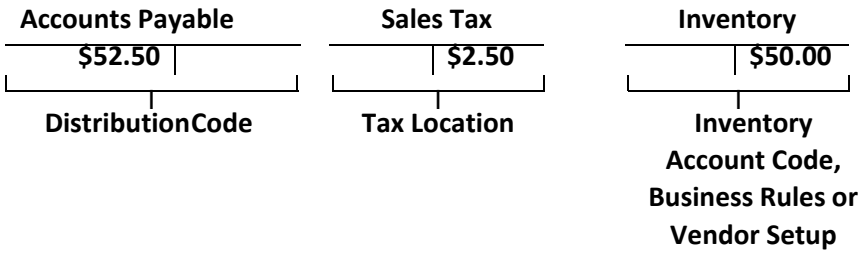


3. **Payment Cycle**

We use the **Prepare Payments** function to create a record in the Checks table, **(tblAPPrepChkCheck)**.

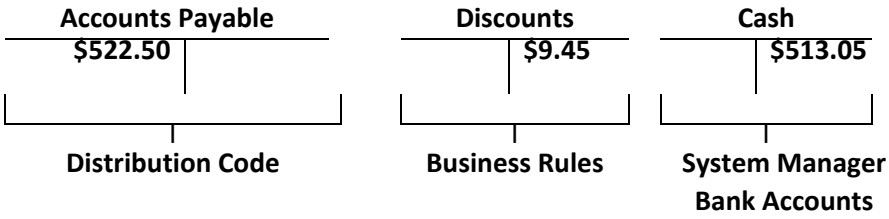
When we use the **Print Checks** function, the checks are printed using the information in the Checks tables. **(tblAPPrepChkCheck) and (tblAPPrepChkInvc)**

When we **Post Payments** for invoices, the status is changed in the Open Invoice table (**tblApOpenInvoice)** totals and history information in the Vendor table **(tblAPVendor) and (tblApVendorHistDetail)** is updated, and the Checks tables **(tblAPPrepChkCheck) and (tblAPPrepChkInvc)** is cleared.

Bank Reconciliation Interfaced

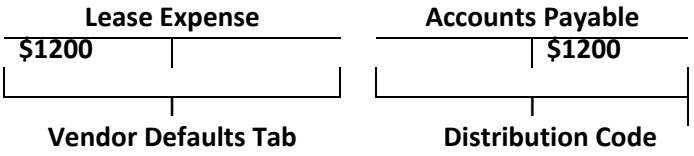
When payments are posted and Accounts Payable is interfaced with Bank Reconciliation, an entry is made to the Bank Rec transaction table **(tblBrMaster)** for each payment posted. These can be viewed in the Reconciliation, Cleared Transactions function in Bank Rec.

The terms for our purchase is 2% 10 Net 30 (tblAPtermsCode). We want to pay for the invoice in time to take advantage of these terms. The terms do not apply to the Freight and Handling. For our example the following accounts are affected when you post payments.



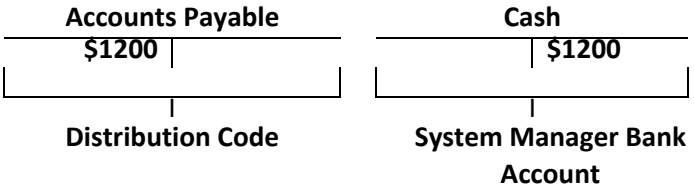
On the last day of the month we pay the lease payment ($1200.00) on our printing press.

For this we use the Recurring Entries function. When we use the **Copy Recurring Entries** function, the entry is coped from the Recurring Entries tables **(tblAPRecurHeader) and (tblApRecurDetail)** to the Transactions tables **(tblApTransHeader) and (tblAPTransDetail)**. When we use the **Post Transactions** function the information in the transactions files posted to the Open Invoice table. **(tblApOpenInvoice)**. The GL entries for the invoice are posted using the accounts specified above when we posted our invoice for paper.

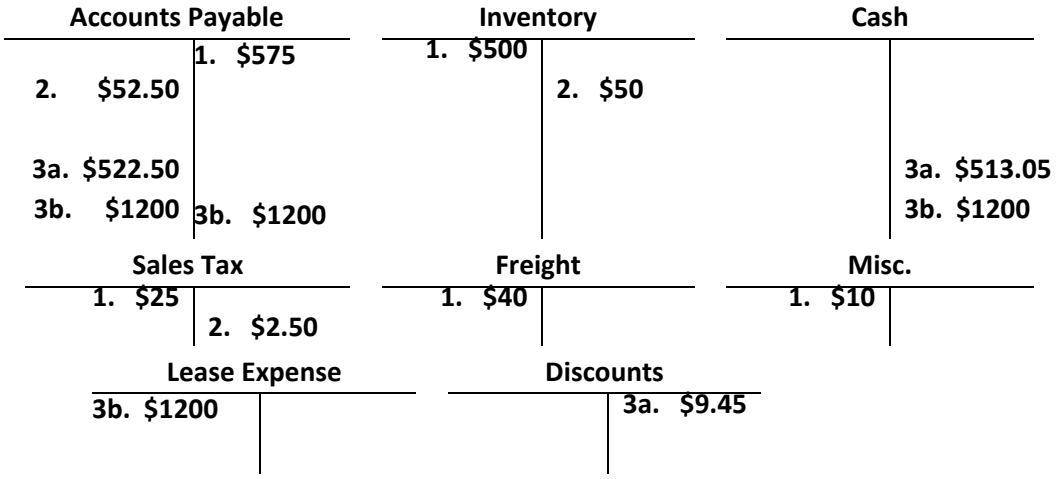


The check process is the same as above. When payments are posted and Accounts Payable is interfaced with Bank Reconciliation, an entry is made to the Bank Rec master table **(tblBrMaster)** for each payment posted. These can be viewed in the Reconciliation, Cleared Transactions function in Bank Rec.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post payments.



4. **Transaction Summary**



ACCOUNTS PAYABLE, INVENTORY & GENERAL LEDGER

The TRAVERSE Accounting Software Accounts Payable package is designed to suit the basic needs of almost any firm. The Accounts Payable System will track invoices from vendors, pay invoices, and create a number of management reports. The system can also be used to track Recurring Entries (transactions that require the same payment on a regular schedule).

In order to clear up confusion on accounting methods employed by Open Systems, Inc. in the design of the Accounts Payable module, this a model of the flow of accounting entries between **Accounts Payable, Inventory and General Ledger**.

For our example we will use a printing firm. First we will purchase paper to be used in our manufacturing operations. Then we will return some of that paper. We then use the material requisition function to transfer some of our inventory for use in the office. In the payment cycle we will pay for our invoice, along with making our regular lease payment on our printing press. We finish by doing period end activity.

1. **Enter Purchases**

We purchased some paper from a vendor, at a cost of $500. (We purchased: $200 of white, $200 of yellow, $50 of green, and $50 of pink) The invoice also included: $25 sales tax (calculated from tax locations), $40 freight charges and $10 for handling.

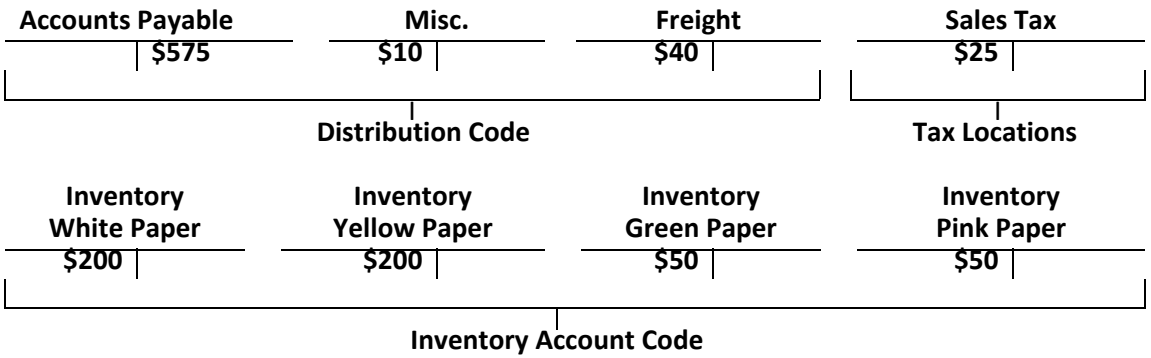
Information on vendors is stored in the vendor table **(tblApVendor)** and viewed and edited in the Vendors screen, including attribute tables for Terms Code **(tblApTermsCode)**, Setup and Maintenance, Terms Codes and Distribution Codes **(tblAPDistCode)**, Setup and Maintenance, Distribution Codes.

The invoice information is stored in the Transaction tables **(tblApTransHeader) and (tblApTransDetail)**, Transactions, Transactions function, until posted. With inventory interfaced with Accounts Payable, the on hand and available quantities in the Inventory item record are increased, by the quantity you enter for purchases.

With inventory interfaced with Accounts Payable, the on hand and available quantities in the Inventory item record are increased, by the quantity you enter for Invoices.

The Post Transactions function transfers information in the Transaction tables into the Open Invoice Table **(tblApOpenInvoice)**, Invoice view and Pay Invoices, Hold Release Invoices.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.



Information on vendors, such as Terms and Distribution Codes, is stored in the Vendor Table **(tblApVendor)**. The Distribution codes are stored in the Distribution Code table **(tblApDistCode)** and define the accounts to be used for Freight, Miscellaneous, and Payables. The sales tax amount is calculated from the **Tax Locations** which are assigned to **Tax Location Groups** from the **Tax Setup** menu under **System Manager**. The General Ledger tax expense account comes from the **Tax Locations** setup. If Accounts Payable is not interfaced to Inventory, the default inventory account in Accounts Payable **Business Rules** or the account assigned to the vendor in the **Vendor** setup is used.

2. **Return Purchases**

We ordered the wrong tint of pink paper and we had to return it ($50.). We are refunded our original cost for the paper along with the sales tax. The freight and the handling charges are not refundable.

Use the **Miscellaneous Debits** function to enter the return. Do not enter a negative number when entering the quantity. The system knows that the transaction is a miscellaneous debit.

With inventory interfaced with Accounts Payable, the on hand and available quantities in the Inventory item record are reduced, by the quantity you enter for Miscellaneous Debits.

The invoice information is stored in the Transaction tables **(tblApTransHeader) and (tblApTransDetail)**, Transactions, Transactions function, until posted. The Post Transactions function transfers information in the Transaction tables into the Open Invoice Table **(tblApOpenInvoice)**, Invoice view and Pay Invoices, Hold Release Invoices

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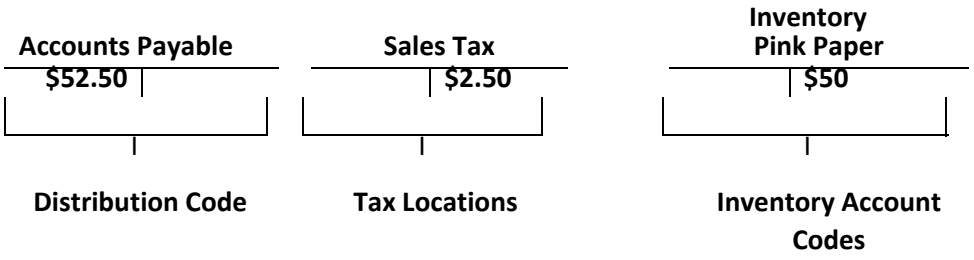


3. **Payment Cycle**

We use the **Prepare Checks** function to create a record in the Checks **(tblApPrepChcCheck) and (tblApPrepChkInvc)**.

When we use the **Print Checks** function, the checks are printed using the information in the Checks **(tblApPrepChcCheck) and (tblApPrepChkInvc)**.

When we **Post Payments** for invoices, the status is changed in the Open Invoice table **(tblApOpenInvoice)** totals and history information in the Vendor table **(tblAPVendor) and (tblApVendorHistDetail)** is updated, and the Checks tables **(tblAPPrepChkCheck) and (tblAPPrepChkInvc)** is cleared.

Bank Reconciliation Interfaced

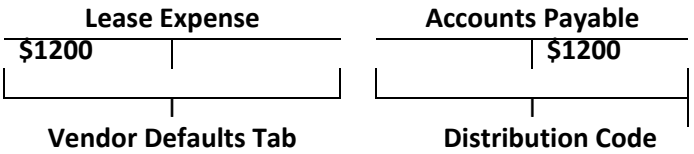
When payments are posted and Accounts Payable is interfaced with Bank Reconciliation, an entry is made to the Bank Rec transaction table **(tblBrMaster)** for each payment posted. These can be viewed in the Reconciliation, Cleared Transactions function in Bank Rec.

The terms for our purchase are 2% 10 Net 30 (tblApTermsCode). We want to pay for the invoice in time to take advantage of these terms. The terms do not apply to the Freight and Handling.

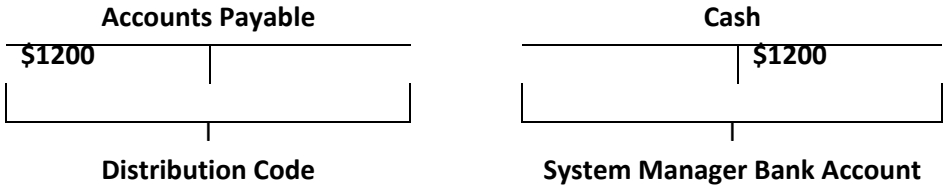
The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post payments.

On the last day of the month we pay the lease payment ($1200.) on our printing press.

For this we use the Recurring Entries function. When we use the **Copy Recurring Entries** function, the entry is coped from the Recurring Entries tables **(tblApRecurHeader) and (tblAPRecurDetail)** to the Transactions tables **(tblApTransHeader) and (tblApTransDetail)**. When we use the **Post Transactions** function the information in the transactions tables posted to the Open Invoice table **(tblApOpenInvoice)**.



The check process is the same as above. The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post payments.



4. **Transaction Summary**

Inventory Yellow Paper

1. $200	

Inventory Green Paper

1. $50	

Inventory White Paper

1. $200	

Sales Tax

1. $25	2. $2.50

Freight

1. $40	

Inventory Pink Paper

1. $50	2. $50

Lease Expense

3b. $1200	

Discounts

	3a. $9.45

Misc.

1. $10	

Cash

	3a. $513.05
	3b. $1200

Accounts Payable

	1. $575
3a. $522.50	
3b. $1200	3b. $1200

ACCOUNTS PAYABLE, PROJECT COST AND GENERAL LEDGER

The TRAVERSE Accounting Software Accounts Payable package is designed to suit the basic needs of almost any firm. The Accounts Payable System will track invoices from vendors, pay invoices, and create a number of management reports. The system can also be used to track Recurring Entries (transactions that require the same payment on a regular schedule.

In order to clear up confusion on accounting methods employed by Open Systems, Inc. in the design of the Accounts Payable module, this a model of the flow of accounting entries between **Accounts Payable, Project Cost and General Ledger**.

For our example we will use a printing firm. First we will purchase paper to be used in our manufacturing operations. We will contract a vendor to staple and fold the calendars under project number 11111 as a Job Cost project. We also have contracted a vendor to fold and staple our calendars at a per piece cost as a Billable project. Then we will return some of that paper, and some of the calendars were not folded and stapled properly. In the payment cycle we will pay for our invoice, along with making our regular lease payment on our printing press.

1. **Enter Purchases**

We purchased some paper from a vendor, at a cost of $500. The invoice also included: $25 sales tax (calculated from tax locations), $40 freight charges and $10 for handling. We will need to do a Material Req transaction in Project Costing, Transactions, Transactions for the amount of material we are using for the project.

We enter a second invoice for the service provided by our folding and stapling vendor for the contracted service at a cost of $200 plus $20 freight and $5 handling and $10 of sales tax. We select Expense as the type when assigning the line to our project.

We contracted a second vendor that will fold and staple the calendars on a per piece basis. We have them fold and staple 200 calendars at $1.00 apiece for a total invoice amount of $200 plus $20 freight and $5 handling and $10 of sales tax. There is a 100% markup percent for income on folding and stapling the calendars.

Information on vendors is stored in the vendor table **(tblApVendor)** and viewed and edited in the Vendors screen, including attribute tables for Terms Code **(tblApTermsCode)**, Setup and Maintenance, Terms Codes and Distribution Codes **(tblAPDistCode)**, Setup and Maintenance, Distribution Codes.

The invoice information is stored in the Transaction tables **(tblApTransHeader) and (tblApTransDetail)**, Transactions, Transactions function, until posted. The Post Transactions function transfers information in the Transaction tables into the Open Invoice Table **(tblApOpenInvoice)**, Invoice view and Pay Invoices, Hold Release Invoices.

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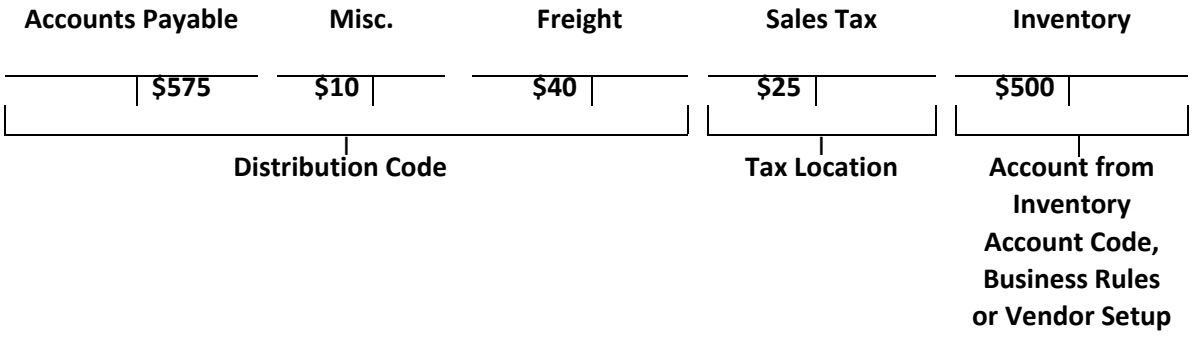
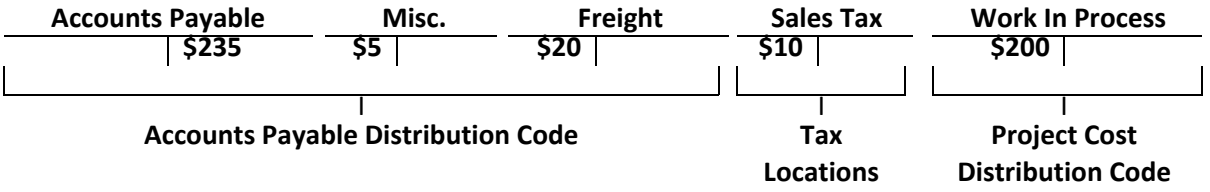
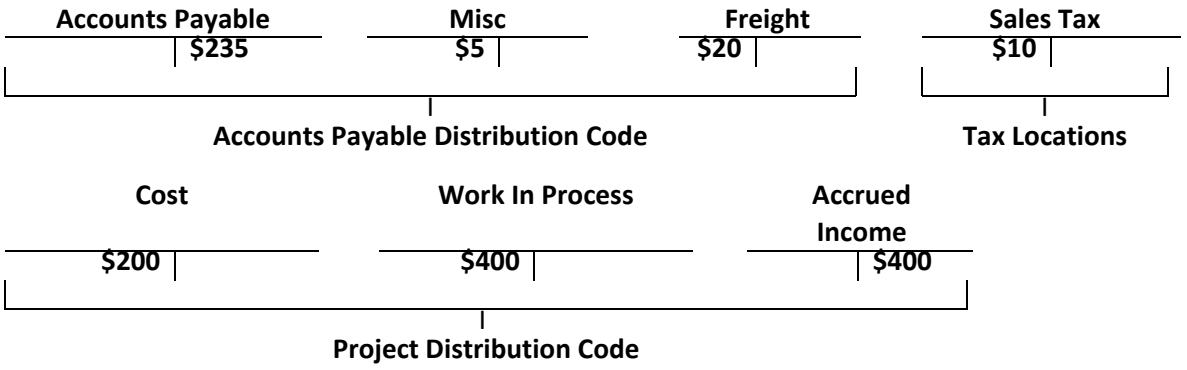
Material Purchase



Job Cost Project Invoice



Billable Time and Material Invoice



Information on vendors, such as Terms and Distribution Codes, is stored in the Vendor Table **(tblApVendor)**. The Distribution codes are stored in the Distribution Code table **(tblApDistCode)** and define the accounts to be used for Freight, Miscellaneous, and Payables. The sales tax amount is calculated from the **Tax Locations** which are assigned to **Tax Location Groups** from the **Tax Setup** menu under **System Manager**. The General Ledger tax expense account comes from the **Tax Locations** setup. If Accounts Payable is not interfaced to Inventory, the default inventory account in Accounts Payable **Business Rules** or the account assigned to the vendor in the **Vendor** setup is used.

2. **Return Purchases**

We ordered some of the paper in the wrong color and we had to return it ($50.). We are refunded our original cost for the paper along with the sales tax. The freight and the handling charges are not refundable.

The invoice information is stored in the Transaction tables **(tblApTransHeader) and (tblApTransDetail)**, Transactions, Transactions function, until posted. The Post Transactions function transfers information in the Transaction tables into the Open Invoice Table **(tblApOpenInvoice)**, Invoice view and Pay Invoices, Hold Release Invoices.

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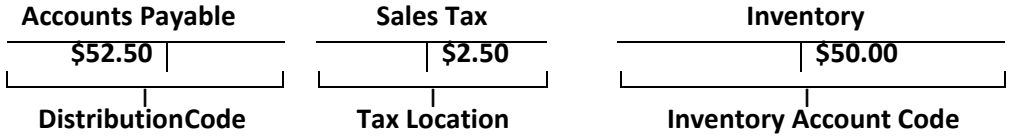


3. **Payment Cycle**

We use the **Prepare Checks** function to create a record in the Checks table, **(tblAPPrepChkCheck)**.

When we use the **Print Checks** function, the checks are printed using the information in the Checks tables. **(tblAPPrepChkCheck) and (tblAPPrepChkInvc)**

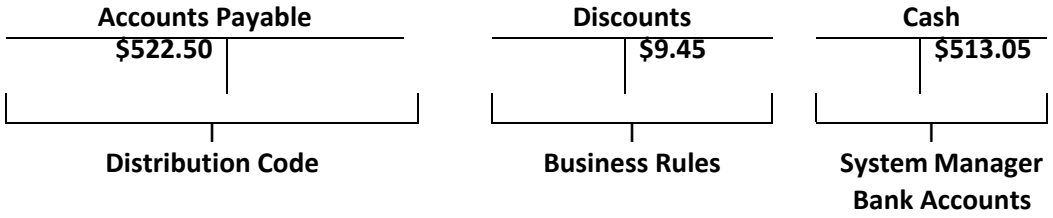
When we **Post Payments** for invoices, the status is changed in the Open Invoice table **(tblApOpenInvoice)** totals and history information in the Vendor table **(tblAPVendor) and (tblApVendorHistDetail)** is updated, and the Checks tables **(tblAPPrepChkCheck) and (tblAPPrepChkInvc)** is cleared.

Bank Reconciliation Interfaced

When payments are posted and Accounts Payable is interfaced with Bank Reconciliation, an entry is made to the Bank Rec transaction table **(tblBrMaster)** for each payment posted. These can be viewed in the Reconciliation, Cleared Transactions function in Bank Rec.

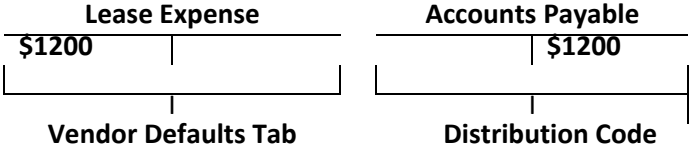
The terms for our purchase is 2% 10 Net 30 (tblAPtermsCode). We want to pay for the invoice in time to take advantage of these terms. The terms do not apply to the Freight and Handling. For our example the following accounts are affected when you post payments.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post payments.

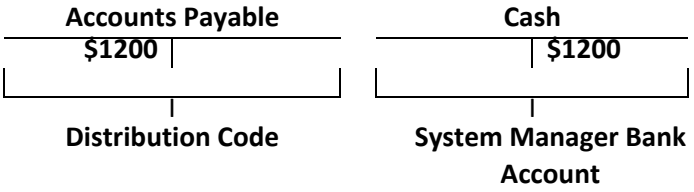


On the last day of the month we pay the lease payment ($1200.00) on our printing press.

For this we use the Recurring Entries function. When we use the **Copy Recurring Entries** function, the entry is coped from the Recurring Entries tables **(tblApRecurHeader) and (tblApRecurDetail)** to the Transactions tables **(tblApTransHeader) and (tblAPTransDetail)**. When we use the **Post Transactions** function the information in the transactions files posted to the Open Invoice table. **(tblApOpenInvoice)**. The GL entries for the invoice are posted using the accounts specified above when we posted our invoice for paper.



The check process is the same as above. The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post payments.



4. **Transaction Summary**

Accounts Payable	
	1a. $575
	1b. $235
	1c. $235
2. $52.50	
3a. $522.50	
3b. $1200	3b. $1200

Inventory	
1a. $500	
	2. $50

Cash	
	3a. $513.05
	3b. $1200

Sales Tax	
1. $25	
1b. $10	
1c. $10	
	2. $2.50

Freight	
1. $40	
1b. $20	
1c. $20	

Misc.	
1. $10	
1b. $5	
1c. $5	

Lease Expense	
3b. $1200	

Discounts	
	3a. $9.45

Work In Process	
1b. $200	
1c. $400	

Cost	
1c. $200	

Accrued Income	
	1c. $400

ACCOUNTS PAYABLE, GENERAL LEDGER WITH MULTI-CURRENCY

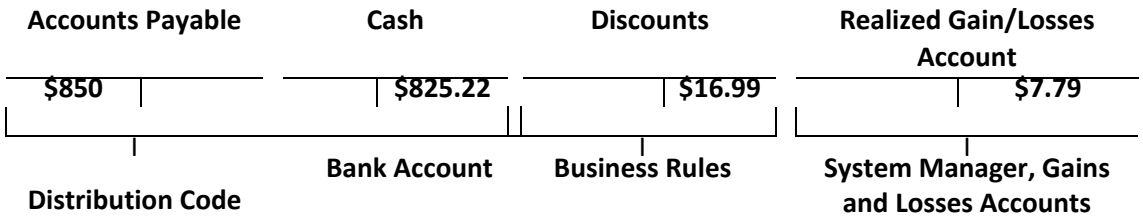
Realized Gains and Losses - Post Payments

If you use multicurrency, TRAVERSE automatically creates entries for any realized gains or losses due to fluctuating currency exchange rates for payments in the accounts you specified in the System Manager Gains and Losses Accounts function to record those gains and losses for correct accounting. Because individual transactions may have been recorded with different exchange rates, information is always posted in detail when you use multicurrency.

We posted an invoice for a total of €630.70 using a vendor from Europe that wants their invoice and payments in Euros. The exchange rate was .742 Euros to 1 Dollar which converts to $850.00.

When we are ready to pay the invoice the exchange rate now has changed to .749 Euros to 1 dollar. We get a 2% discount for paying early which equals $16.99. This translates to a gain of $7.79 with the new exchange rate vs. the original exchange rate of the invoice.

When you post payments, entries are made to several accounts in the GL Journal, as shown below.



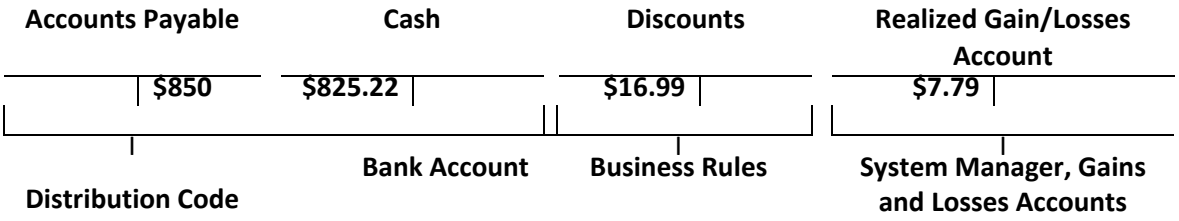
NOTE: The realized gains account will be credited if you have had a gain on the exchange rate differences and the realized losses account will be debited if you have had a loss on the exchange rate differences.

Void Payments

We posted an invoice for a total of €630.70 using a vendor from Europe that wants their invoice and payments in Euros. The exchange rate was .742 Euros to 1 Dollar which converts to $850.00. The original invoice had a gain of $7.79 from the difference in exchange rates from when the invoice was posted to when the payment was posted.

We posted the invoice and now need to void the check.

When you void payments, entries are made to several accounts in the GL Journal, as shown below.



NOTE: The realized gains account will be credited if you have had a gain on the exchange rate differences and the realized losses account will be debited if you have had a loss on the exchange rate differences.

Unrealized Gains and Losses - Periodic Processing - Open Invoices

Prior to posting unrealized gains and losses print the **Unrealized Gains and Losses Report**.

The **Unrealized Gains and Losses Report** lists the amounts your company would gain or lose due to fluctuating currency exchange rates if all transactions were complete at that moment. This report is only available if you use multicurrency.

The amounts printed on this report represent unrealized gains and losses; that is, because open transactions exist, these amounts estimate the funds your company would gain or lose if all transactions were closed at that moment using the current period rates currency exchange rate. Use this report as a tool to view how fluctuating exchange rates affect your business and to verify the accounting entries TRAVERSE makes when you post unrealized gains and losses as part of your period-end processing.

Use the **Post Unrealized Gains and Losses** function to balance accounts and close the books as part of your period-end processing. This function is available only if you use multicurrency.

When you post unrealized gains and losses, TRAVERSE performs these actions:

- TRAVERSE scans through transactions and calculates the gain and loss amounts that would result if those transactions were closed at that moment using the periodic exchange rate for the selected period.

The Unrealized Gain/Loss accounts are set up using the System Manager, Company Setup, Gains and Losses Accounts function.

- The system then creates entries for these amounts in the accounts you specified in the System Manager Gains and Losses Accounts function to balance accounts for correct accounting so that you can close the books. The source code in General Ledger for these entries is G1.
- TRAVERSE creates a reversing entry in the next period (with the date you specify) that reverses these entries to make way for the actual realized gains and losses that are recorded when you post payments. The source code in General Ledger for these entries is G2.
- Once you have posted unrealized gains and losses for a selected period you are not allowed to post unrealized gains and losses to that period again. This should be a period end process only.

The entries that TRAVERSE makes when you post are noted on the Unrealized Gains and Losses Report. Print this report before you post unrealized gains and losses to verify these entries.

NOTE: You will only get results on this post if you have a vendor setup with a foreign currency and a distribution code with a GL Payables account with the company's base currency and unpaid open invoices exist for the vendor with the payables account and the invoice with different currencies.

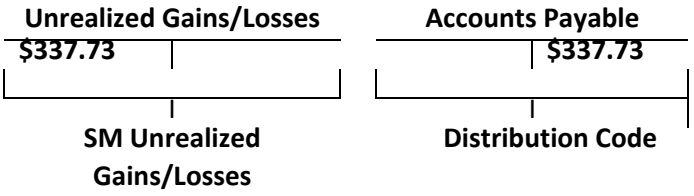
We have 3 invoices open for a vendor that uses Euro as it's currency and the distribution code with the Payables account set to a GL account with USD as it's currency. The invoices are as follows:

Invoice Amt(EUR)	Exchange Rate	Amt Due (USD)	Current Amt (USD)	Gain/Loss (USD)
5,250.57	.756	6,945.75	6,917.75	27.45
10,890.74	.742	10,646.81	10,646.81	243.93
3,772.35	.749	5,036.51	4,970.16	66.35

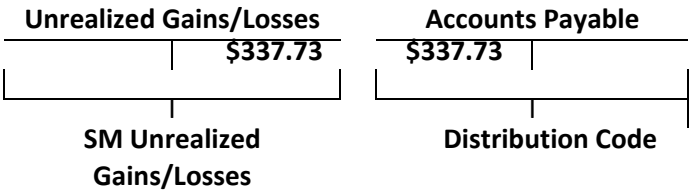
The Period Exchange rate is .759. There is a total gain for the period of $337.73.

When the Post Unrealized Gains and Losses is run the following entries are made to General Ledger:

Source Code G1 to the period selected in the Post Unrealized Gains and Losses screen.



Source Code G2 to the NEXT period from the period selected in the Post Unrealized Gains and Losses screen.



When a loss is recorded the entries above would be reversed.

ACCOUNTS RECEIVABLE

2

ACCOUNTS RECEIVABLE AND GENERAL LEDGER

The TRAVERSE Accounting Software Accounts Receivable package is designed to suit the basic needs of almost any firm. The Accounts Receivable System will track sales to customers, generate statements, record returns, apply payments on outstanding balances and create a number of management reports. The system can also track recurring entries (transactions that come up repeatedly), write-off receivables to bad debt, and calculate finance charges on outstanding balances.

In order to clear up confusion on the accounting methods employed by Open Systems, Inc. in the design of the Accounts Receivable module, this a model of the flow of accounting entries between **Accounts Receivable and General Ledger**.

For our example we will use a printing firm. First we will sell some of our calendars. We will have some of those calendars returned for credit. Cash Receipt and Recurring Entries are recorded. An account is charged off to bad debt, and finance charges are calculated and recorded. We will finish with period end activity.

1. **Enter Sales**

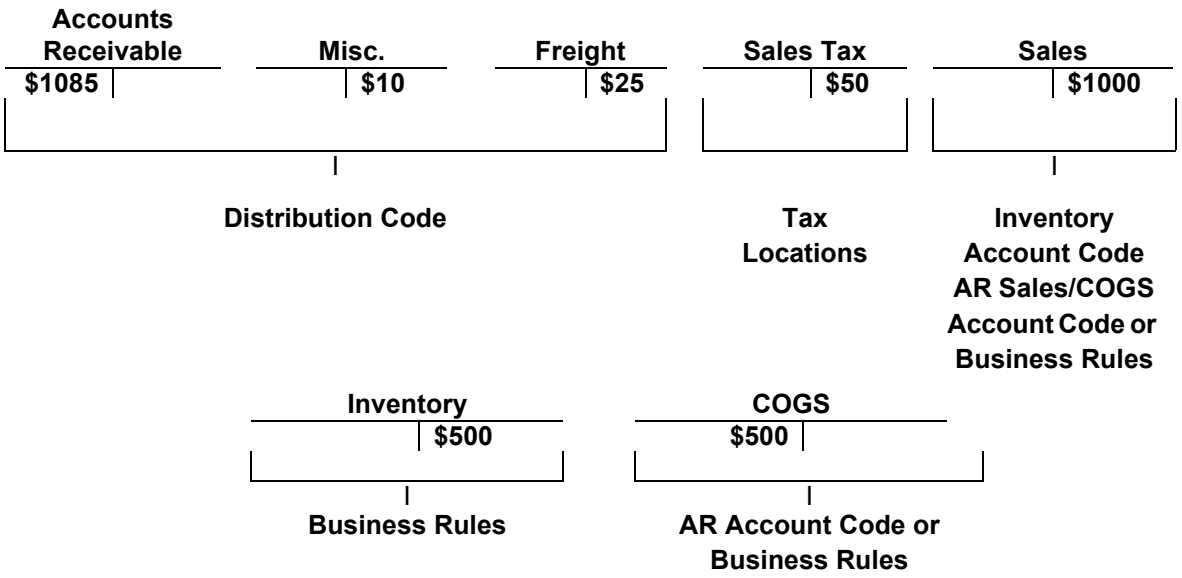
One of our regular customers (ABC Gifts) orders some of our calendars ($1000.). The invoice also includes: $50 sales tax (calculated from the Tax Locations), $25 for freight charges, and a $10 handling fee (Misc).

Information on customers is stored in the Customer table **(tblArCust)**, Setup and Maintenance, Customers, including attribute tables for Terms Codes **(tblArTermsCode)**, Setup and Maintenance, Terms Codes, Distribution account codes **(tblArDistCode)**, Setup and Maintenance Distribution Codes.

Customer invoice information is stored in the Transactions tables **(tblArTransHeader) and (tblArTransDetail),** Transactions, Transactions function, until posted. When you post

transactions, open invoices are created in the Open Invoice table **(tblArOpenInvoice)**, Invoice view and Open Invoices, Hold Release Invoices.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.



Information on customers, such as Terms and Distribution codes, is stored in the Customer table **(tblArCust)**. The Distribution codes are stored in the Distribution Code table **(tblArDistCode)** and define the accounts to be used for Freight, Miscellaneous, and Receivables. The sales tax amount is calculated from the **Tax Locations** which are assigned to **Tax Location Groups** from the **Tax Setup** menu under **System Manager**. The General Ledger tax liability account comes from the **Tax Locations** setup. If Accounts Receivable is not interfaced to Inventory, the General Ledger accounts may be stored in the Sales/COGS Accounts table **(tblArSaleAcct)** if the **Sales/COGS Accounts** function is used; otherwise the default accounts in Accounts Receivable **Business Rules** are used.

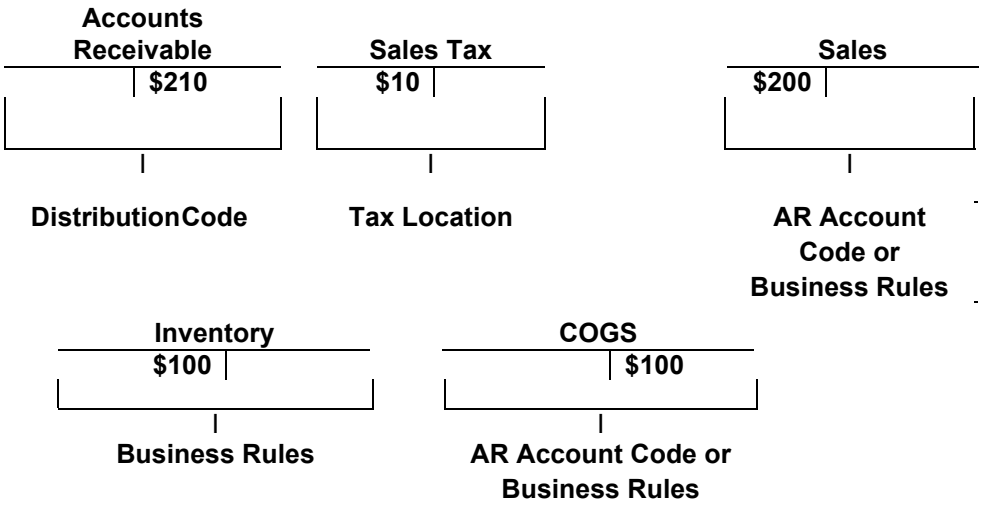
2. **Enter Returns**

Our customer (ABC Gifts) decided to return some of the calendars ($200). We credit them for the original cost. The sales tax is refunded but not the freight or the handling (Misc.).

Use the Transactions function to enter the returns selecting **Miscellaneous Credit** as the transaction type. Do not enter a negative quantity when entering Miscellaneous Credits, the system knows it is a Miscellaneous Credit.

Customer invoice information is stored in the Transactions tables **(tblArTransHeader) and (tblArTransDetail)** until posted. When you post transactions, open invoices are created in the Open Invoice table **(tblArOpenInvoice)**, Invoice view and Open Invoices, Hold Release Invoices.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.



The GL codes table **(tblArSalesAcct)** stores information about your Sales and COGS accounts, when AR is not interfaced to the Inventory module.

3. **Enter Cash Receipts**

The Cash Receipts function is used to record payments from customers. Customers are designated as "Invoice" or "Balance Forward" in the customer table **(tblArCust)**. Cash receipts **(tblArCashRcptHeader) and (tblArCashRcptDetail)** for "Invoice" customers are applied against individual invoices. For "Balance Forward" customers receipts are applied against outstanding balances.

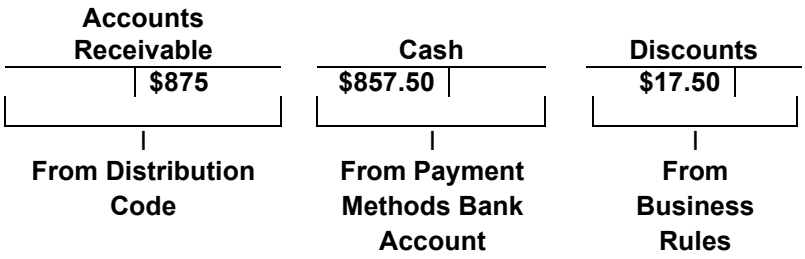
Payment methods that are accepted need to be set up in the Payment Methods table **(tblArPmtMethod)**.

Bank Reconciliation Interfaced

If Accounts Receivable is interfaced with Bank Reconciliation, each posted deposit creates a summary record in the transactions **(tblBrMaster)** table and can be viewed in the Reconciliation, Cleared Transactions function in Bank Rec.

Our customer (ABC Gifts) decides to pay their invoice in time to take full advantage of the terms. The terms of the sale are 2/10 n/30 **(tblArTermsCode)**. The terms do not apply to the Freight and the Misc. charges. For our example the following accounts are affected when you post Cash Receipts. They have paid the invoice by check (tblArPmtMethod).

The following entries are made in the GL Journal table (tblGlJrnl), Transaction Journals, GL Journal or Activity Report, when we post transactions.

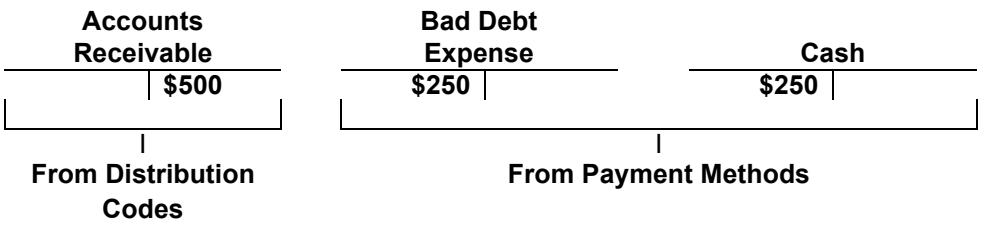


4. **Write-off To Bad Debt**

To write off an account (or a portion), use the Cash Receipts function. Enter the amount to be written off in the Payment Amount field, then select "Write-off to Bad Debt" for the "Payment Method" **(tblArPmtMethod)**.

We have settled a dispute with "Ace Calendars Inc.", receiving only $250 (Cash) on their account, and we will write-off the $250 remaining on their account.

The following entries are made in the GL Journal table (tblGlJrnl), Transaction Journals, GL Journal or Activity Report, when we post transactions.

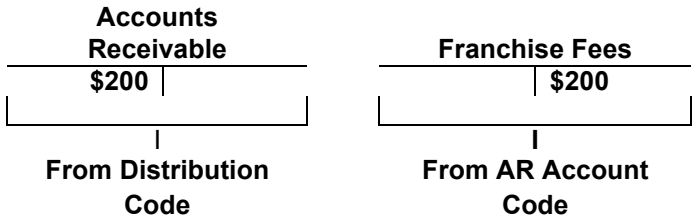


5. **Copy Recurring Entries**

The Recurring Entries tables **(tblArRecurHeader) and (tblArRecurDetail**) are used to store information about transactions that come up repeatedly. Use the Copy Recurring Entries function to copy entries from the **(tblArRecurHeader) and (tblArRecurDetail**) to the Transaction tables **(tblArTransHeader) and (tblArTransDetail)**. You can set up only **non-inventory** recurring entries.

We have a recurring entry **(tblArRecurHeader) and (tblArRecurDetail)** set up for Bob's Gifts Inc. The recurring entry represents our franchise fee (Calendars-R-Us) of $200,and is billed on the 15th of each month.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.

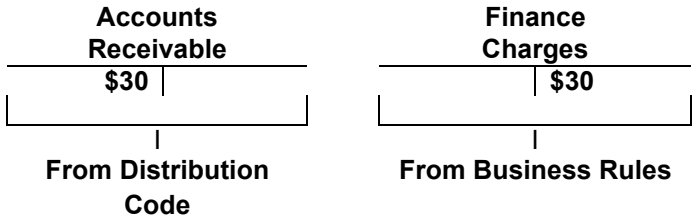


6. **Calculate Finance Charges**

Finance charges are assessed only for customers that are set up for finance charges, in the Customers table **(tblArCust),** and the finance setup comes from the Business Rules. The calculation is based on the minimum charge, the percentage, the invoice date (or due date), and the cutoff days specified in the customer's finance charge code.

When we run the Calculate Finance Charges function, Bob's Gifts Inc. is assessed a finance charge of $30.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we run Periodic Processing.



7. **Transaction Summary**

Accounts Receivable	
1. $1085	2. $210
	3. $875
	4. $500
5. $200	
6. $30	

Sales	
	1. $1000
2. $200	

Discounts	
3. $17.50	

Sales Tax	
	1. $50
2. $10	

Freight	
	1. $25

Misc.	
	1. $10

Cost of Goods Sold	
1. $500	2. $100

Franchise Fees	
5. $200	

Finance Charges	
6. $30	

Cash	
3. $857.50	
4. $250	

Inventory	
	1. $500
2. $100	

Bad Debt Expense	
4. $250	

ACCOUNTS RECEIVABLE, INVENTORY AND GENERAL LEDGER

The TRAVERSE Accounts Receivable package is designed to suit the basic needs of almost any firm. The Accounts Receivable System will track sales to customers, generate statements, record returns, apply payments on outstanding balances and create a number of management reports. The system can also track recurring entries (transactions that come up repeatedly), write-off receivables to bad debt, and calculate finance charges on outstanding balances.

In order to clear up confusion on the accounting methods employed by Open Systems, Inc. in the design of the Accounts Receivable module, this a model of the flow of accounting entries between **Accounts Receivable, Inventory and General Ledger**.

For our example we will use a printing firm. First we will sell some of our calendars. We will have some of those calendars returned for credit. Cash Receipt and Recurring Entries are recorded. An account is charged off to bad debt, and finance charges are calculated and recorded. We will finish with period end activity.

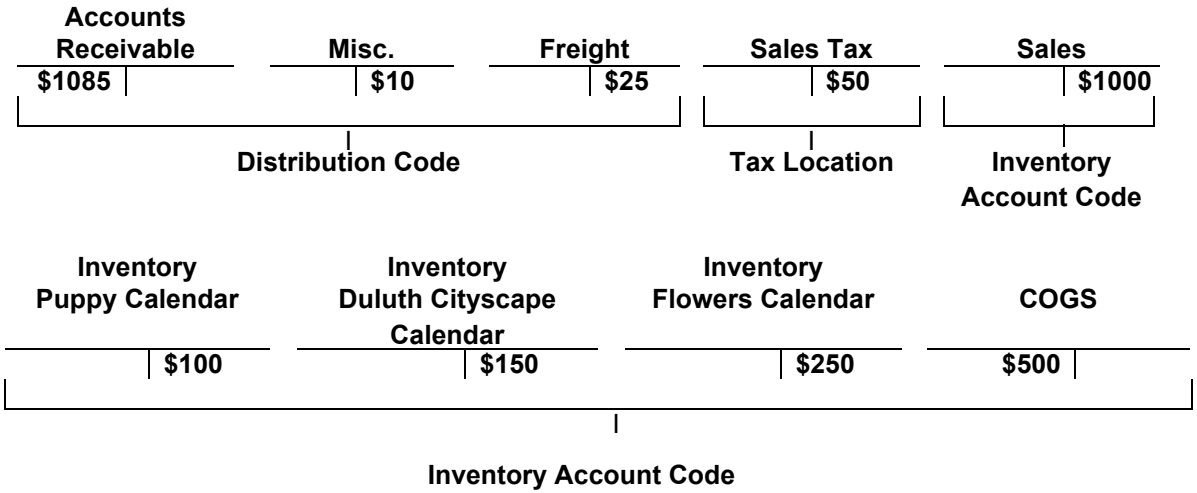
1. **Enter Sales**

One of our regular customers (ABC Gifts) orders some of our calendars ($200 Puppy Calendars, $300 Duluth Cityscape Calendars, $500 Flowers Calendars). The invoice also includes: $50 sales tax (calculated from the Tax Locations), $25 for freight charges, and a $10 handling fee (Misc).

Information on customers is stored in the Customer table **(tblArCust)**, Setup and Maintenance, Customers, including attribute tables for Terms Codes **(tblArTermsCode)**, Setup and Maintenance, Terms Codes, Distribution account codes **(tblArDistCode)**, Setup and Maintenance Distribution Codes.

Customer invoice information is stored in the Transactions tables **(tblArTransHeader and tblArTransDetail),** Transactions, Transactions function, until posted. When you post transactions, open invoices are created in the Open Invoice table **(tblArOpenInvoice)**, Invoice view and Open Invoices, Hold Release Invoices.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.



Information on customers, such as Terms and Distribution codes, is stored in the Customer table **(tblArCust)**. The Distribution codes are stored in the Distribution Code table **(tblArDistCode)** and define the accounts to be used for Freight, Miscellaneous, and Receivables. The sales tax amount is calculated from the **Tax Locations** which are assigned to **Tax Location Groups** from the **Tax Setup** menu under **System Manager**. The General Ledger tax liability account comes from the **Tax Locations** setup. When Accounts Receivable is interfaced with Inventory, the General Ledger inventory, sales, and COGS accounts come from the Inventory Account Codes table **(tblInGLAcct)**. The inventory accounts are setup using the **Account Codes** function under the **Inventory Setup and Maintenance** menu. Alternatively, the sales and COGS accounts assigned to an account code from the Sales/COGS table **(tblArSalesAcct)** may be used. The inventory account in this case would be the default account setup in the Accounts Receivable Business Rules. The Sales/COGS Account codes are setup using the **Sales/COGS Account** function under the **Accounts Receivable Setup and Maintenance** menu. Finally, if an item not in inventory is sold to a customer, the default accounts from Accounts Receivable Business Rules would be used.

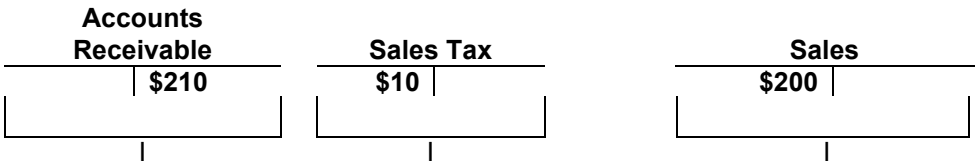
2. **Enter Returns**

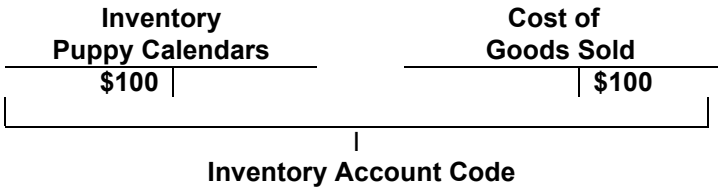
Our customer (ABC Gifts) decided to return some of the Puppy calendars ($200). We credit them for the original cost. The sales tax is refunded but not the freight or the handling (Misc.).

Use the Transactions function to enter the returns selecting Miscellaneous Credit as the transaction type. Do not enter a negative quantity when entering Miscellaneous Credits, the system knows it is a Miscellaneous Credit.

Transaction information is stored in the Transactions tables **(tblArTransHeader) and (tblArTransDetail),** Transactions, Transactions function, until posted. When you post transactions, open invoices are created in the Open Invoice table **(tblArOpenInvoice)**, Invoice view and Open Invoices, Hold Release Invoices.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.





3. **Enter Cash Receipts**

The Cash Receipts function is used to record payments from customers. Customers are designated as "Invoice" or "Balance Forward" in the customer table **(tblArCust)**. Cash receipts **(tblArCashRcptHeader) and (tblArCashRcptDetail)** for "Invoice" customers are applied against individual invoices. For "Balance Forward" customers receipts are applied against outstanding balances.

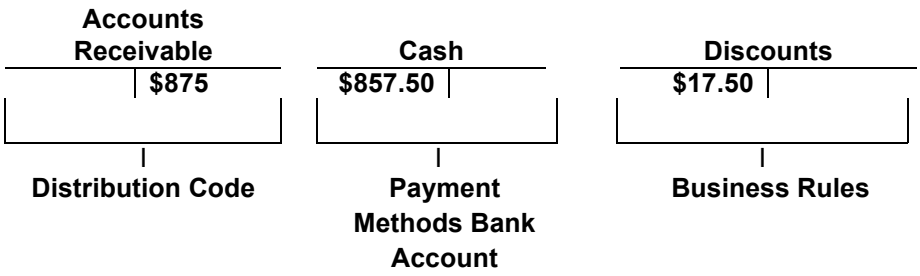
Payment methods that are accepted need to be set up in the Payment Methods table **(tblArPmtMethod)**, Setup and Maintenance, Payment Methods.

Bank Reconciliation Interfaced

If Accounts Receivable is interfaced with Bank Reconciliation, each posted deposit creates a summary record in the transactions **(tblBrMaster)** table and can be viewed in the Reconciliation, Cleared Transactions function in Bank Rec.

Our customer (ABC Gifts) decides to pay their invoice in time to take full advantage of the terms. The terms of the sale are 2/10 n/30 (tblArSalesAcct). The terms do not apply to the Freight and the Misc. charges. For our example the following accounts are affected when you post Cash Receipts. They have paid the invoice by check (tblArPmtMethod).

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.

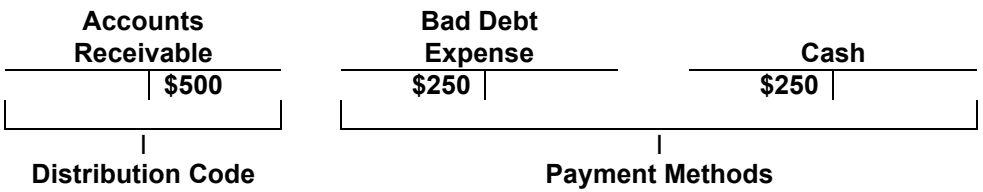


4. **Write-off To Bad Debt**

To write off an account (or a portion), use the Cash Receipts function. Enter the amount to be written off in the Payment Amount field, then select "Write-off to Bad Debt" for the "Payment Method" **(tblArPmtMethod)**.

We have settled a dispute with "Ace Calendars Inc.", receiving only $250 (Cash) on their account, and we will write-off the $250 remaining on their account.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.

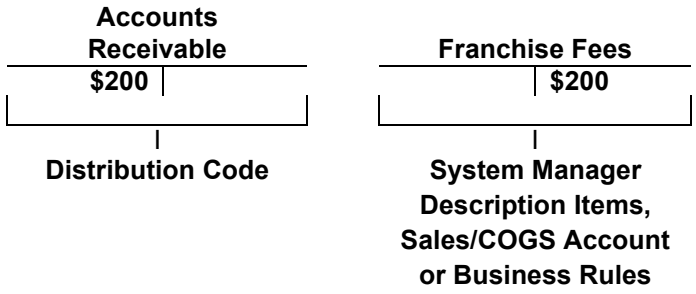


5. **Copy Recurring Entries**

The Recurring Entries tables (**tblArRecurHeader)** and **(tblArRecurDetail**), Setup and Maintenance, Recurring Entries, are used to store information about transactions that come up repeatedly. Use the Copy Recurring Entries function to copy entries from the **(tblArRecurHeader)** and **(tblArRecurDetail**) to the Transaction tables (**tblArTransHeader)** and **(tblArTransDetail**). You can set up only **non-inventory** recurring entries.

We have a recurring entry (tblArRecurHeader) and (tblArRecurDetail) set up for Bob's Gifts Inc. The recurring entry represents our franchise fee (Calendars-R-Us) of $200,and is billed on the 15th of each month.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.

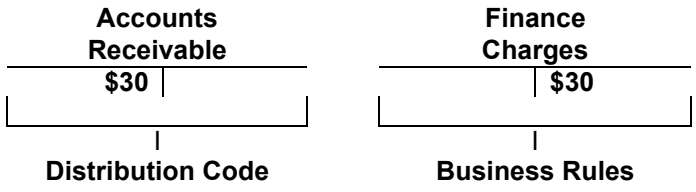


6. **Calculate Finance Charges**

Finance charges are assessed only for customers that are set up for finance charges, in the Customers table **(tblArCust),** and that have an associated finance charge code **(tblArCust)**. The calculation is based on the minimum charge, the percentage, the invoice date (or due date), and the cutoff days specified in the customer's finance charge code.

When we run the Calculate Finance Charges function, Bob's Gifts Inc. is assessed a finance charge of $30.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we run the periodic maintenance.



7. **Transaction Summary**

Accounts Receivable	
1. $1085	
	2. $210
	3. $875
	4. $500
5. $200	
6. $30	

Cash	
3. $857.50	
4. $250.	

Discounts	
3. $17.50	

Sales Tax	
	1. $50
2. $10	

Freight	
	1. $25

Misc.	
	1. $10

Sales	
	1. $1000
2. $200	

Inventory Puppy Calendars	
	1. $100
2. $100	

Inventory Duluth Cityscape	
	1. $150

Inventory Flower Calendars	
	1. $250

4

Cost of Goods Sold	
1. $500	
	2. $100

Franchise Fees	
	5. $200

Finance Charges	
	6. $30

Bad Debt Expense	
4. $250	

ACCOUNTS RECEIVABLE, GENERAL LEDGER WITH MULTI-CURRENCY

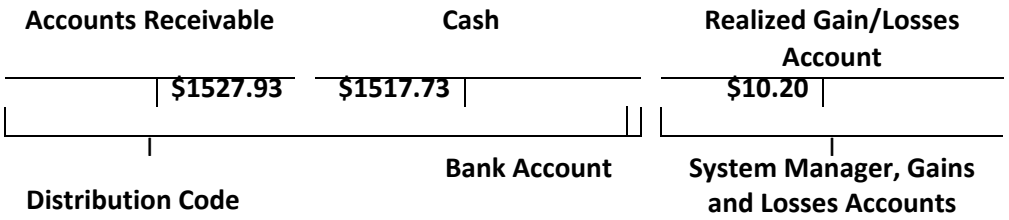
Realized Gains and Losses - Post Cash Receipts

If you use multicurrency, TRAVERSE automatically creates entries for any realized gains or losses due to fluctuating currency exchange rates for cash receipts in the accounts you specified in the System Manager Gains and Losses Accounts function to record those gains and losses for correct accounting. Because individual transactions may have been recorded with different exchange rates, information is always posted in detail when you use multicurrency.

We posted an invoice for a total of €1,136.78 using a vendor from Europe that wants their invoice and pays us in Euros. The exchange rate was .744 Euros to 1 Dollar which converts to $1,527.93.

When we receive the payment for the invoice the exchange rate now has changed to .749 Euros to 1 dollar. This translates to a loss of $10.20 with the new exchange rate vs. the original exchange rate of the invoice.

When you post cash receipts, entries are made to several accounts in the GL Journal, as shown below.



NOTE: The realized gains account will be credited if you have had a gain on the exchange rate differences and the realized losses account will be debited if you have had a loss on the exchange rate differences.

Unrealized Gains and Losses - Periodic Processing - Open Invoices

Prior to posting unrealized gains and losses print the **Unrealized Gains and Losses Report**.

The **Unrealized Gains and Losses Report** lists the amounts your company would gain or lose due to fluctuating currency exchange rates if all transactions were complete at that moment. This report is only available if you use multicurrency.

The amounts printed on this report represent unrealized gains and losses; that is, because open transactions exist, these amounts estimate the funds your company would gain or lose if all transactions were closed at that moment using the current period rates currency exchange rate. Use this report as a tool to view how fluctuating exchange rates affect your business and to verify the accounting entries TRAVERSE makes when you post unrealized gains and losses as part of your period-end processing.

Use the **Post Unrealized Gains and Losses** function to balance accounts and close the books as part of your period-end processing. This function is available only if you use multicurrency.

When you post unrealized gains and losses, TRAVERSE performs these actions:

- TRAVERSE scans through transactions and calculates the gain and loss amounts that would result if those transactions were closed at that moment using the periodic exchange rate for the selected period.

  The Unrealized Gain/Loss accounts are set up using the System Manager, Company Setup, Gains and Losses Accounts function.

- The system then creates entries for these amounts in the accounts you specified in the System Manager Gains and Losses Accounts function to balance accounts for correct accounting so that you can close the books. The source code in General Ledger for these entries is G1.
- TRAVERSE creates a reversing entry in the next period (with the date you specify) that reverses these entries to make way for the actual realized gains and losses that are recorded when you post payments. The source code in General Ledger for these entries is G2.
- Once you have posted unrealized gains and losses for a selected period you are not allowed to post unrealized gains and losses to that period again. This should be a period end process only.

The entries that TRAVERSE makes when you post are noted on the Unrealized Gains and Losses Report. Print this report before you post unrealized gains and losses to verify these entries.

NOTE: You will only get results on this post if you have a vendor setup with a foreign currency and a distribution code with a GL Payables account with the company's base currency and unpaid open invoices exist for the vendor with the payables account and the invoice with different currencies.

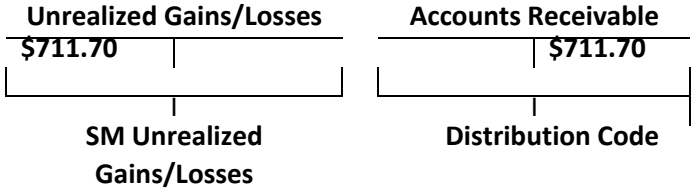
We have 4 invoices open for a customer that uses Euro as it's currency and the distribution code with the Receivables account set to a GL account with USD as it's currency. The invoices are as follows:

Invoice Amt(EUR)	Exchange Rate	Amt Due (USD)	Current Amt (USD)	Gain/Loss (USD)
4,962.80	.744	6670.43	6538.6	-131.83
25,115.01	.749	33,531.39	33,089.60	-441.79
4,464.29	.756	5,905.14	5,881.81	-23.33
3,801.51	.742	5,123.33	5,005.58	-114.75

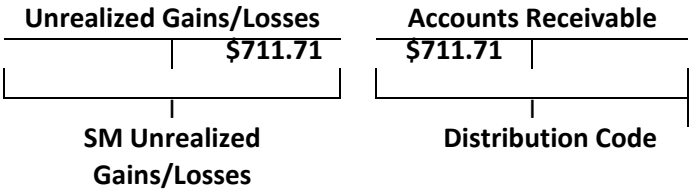
The Period Exchange rate is .759. There is a total loss for the period of $711.70.

When the Post Unrealized Gains and Losses is run the following entries are made to General Ledger:

Source Code G1 to the period selected in the Post Unrealized Gains and Losses screen.



Source Code G2 to the NEXT period from the period selected in the Post Unrealized Gains and Losses screen.



When a loss is recorded the entries above would be reversed.

BANK RECONCILIATION

3

BANK RECONCILIATION AND GENERAL LEDGER

The TRAVERSE Bank Reconciliation package is designed for firms to enter and track bank transactions (deposits, disbursements, transfers, and adjustments) and to reconcile the account balances with bank statements. You can also void checks or stop payment on a check entered into the system through Bank Reconciliation or an interfaced application.

In order to clear up any confusion on the accounting methods employed by Open Systems Inc., in the design of the Bank Reconciliation module, this a model of the flow of accounting entries between **Bank Reconciliation and General Ledger**.

In the following example, we will enter: Deposits, Disbursements, and Transfers. We will then Void a Check, and enter a Recurring Adjustment.

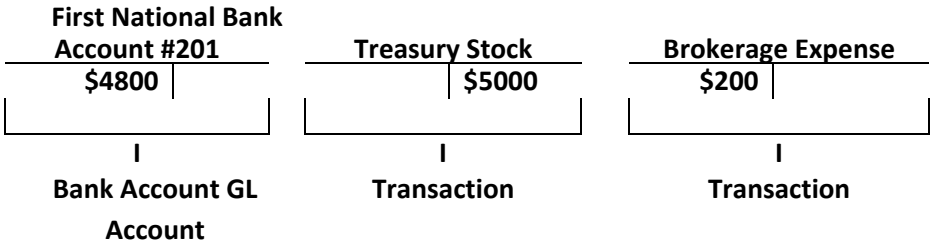
1. **Enter Deposits**

The Bank Reconciliation transaction is created by selecting the **Deposit** transaction type (tab) and clicking the **New Record** button from the **Transaction** function.

Use the transaction function to enter deposits that have not been created through other applications. Transactions entered through this function remain in the Journal tables **(tblBrJrnlHeader) and (tblBrJrnlDetail)** until you post them to the master table **(tblBrMaster)** and can be viewed in the Reconciliation, Cleared Transactions function.

We make a deposit of $4800 into our account at the First National Bank. The deposit represents the sale of Treasury stock for $5000 and $200 brokerage expenses.

The following entries are made to the Bank Reconciliation Master table **(tblBrMaster)** and can be viewed in the Reconciliation, Cleared Transactions function, and the General Ledger Journal table **(tblGlJrnl)** Transaction Journals, GL Journal or Activity Report, when we post transactions, when the transaction is posted:

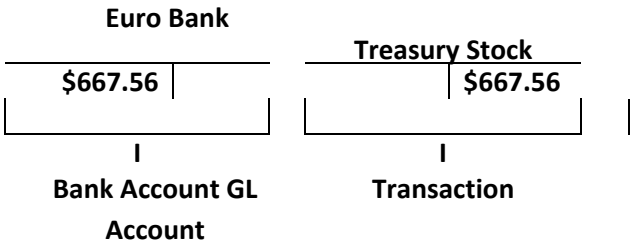


Multi-currency

Deposits using multi-currency will deposit funds into your bank using an exchange rate to get the correct amount posted to GL for your base currency amounts.

We deposit €500 into our Euro bank account. The exchange rate for the deposit is .749. The result is that there is €500 deposited into the Euro bank and $667.56 posted to GL for the base currency amount.

The resulting GL transactions are displayed below. The GL accounts are from the bank account's setup and the offset account entered into the deposit transaction.



The deposit will be displayed as €500 in the Cleared Transactions function.

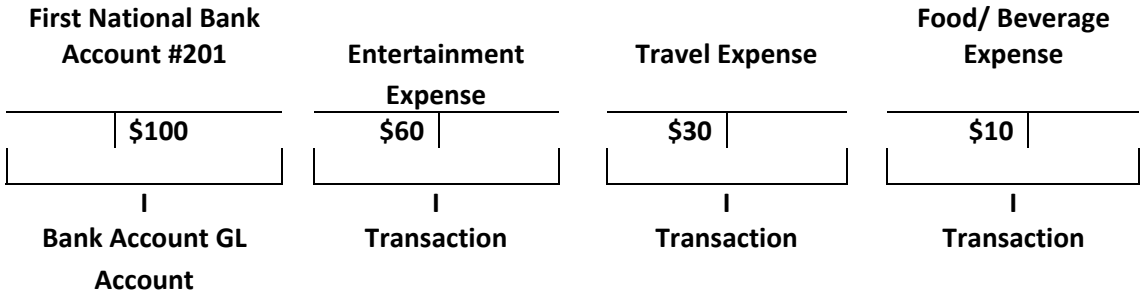
2. **Enter Disbursements**

The Bank Reconciliation transaction is created by selecting the **Disbursement** transaction type (tab) and clicking the **New Record** button from the **Transaction** function.

Use the transaction function to enter Disbursements that have not been created through other applications. Transactions entered through this function remain in the Journal tables **(tblBrJrnlHeader) and (tblBrJrnlDetail)** until you post them to the master table **(tblBrMaster)** and can be viewed in the Reconciliation, Cleared Transactions function. The **Post Transactions** function transfers the Bank Reconciliation Header information **(tblBrJrnlHeader)** into the Bank Reconciliation Master table **(tblBrMaster)**. The Bank Reconciliation Detail information is cleared **(tblBrJrnDetail)**.

We withdraw $100 to replenish the Petty Cash fund. We charge the $100 using the vouchers in the Petty Cash drawer. The vouchers were for $60 entertainment, $30 parking, and $10 donuts.

The following entries are made to the Bank Reconciliation Master table **(tblBrMaster)** and can be viewed in the Reconciliation, Cleared Transactions function, and the General Ledger Journal table **(tblGlJrnl)** Transaction Journals, GL Journal or Activity Report, when we post transactions, when the transaction is posted:

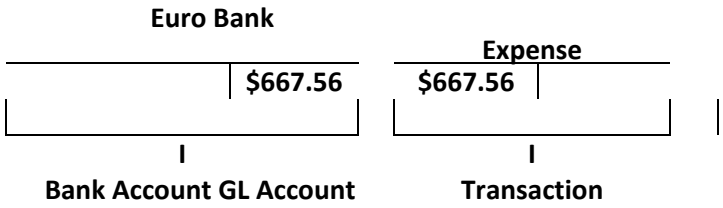


Multi-currency

Disbursements using multi-currency will take out funds from your bank using an exchange rate to get the correct amount posted to GL for your base currency amounts.

We enter a disbursement check for €500 from our Euro bank account. The exchange rate for the disbursement is .749. The result is that there is €500 taken out of the Euro bank and $667.56 posted to GL for the base currency amount.

The resulting GL transactions are displayed below. The GL accounts are from the bank account's setup and the offset account entered into the disbursements transaction.



The disbursement will be displayed as €500 in the Cleared Transactions function.

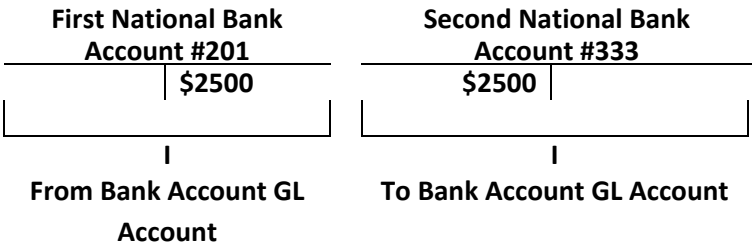
3. **Transfers**

The Bank Reconciliation transaction is created by selecting the **Transfer** transaction type (tab) and clicking the **New Record** button from the **Transaction** function.

Use the transaction function to enter Transfers. Transactions entered through this function remain in the Journal tables **(tblBrJrnlHeader) and (tblBrJrnlDetail)** until you post them to the master table **(tblBrMaster)** and can be viewed in the Reconciliation, Cleared Transactions function. The **Post Transactions** function transfers transaction information in the Bank Reconciliation Journal tables into the Bank Reconciliation Master table **(tblBrMaster)**.

The following entries are made to the Bank Reconciliation Master table **(tblBrMaster)** and can be viewed in the Reconciliation, Cleared Transactions function, and the General Ledger Journal table **(tblGlJrnl)** Transaction Journals, GL Journal or Activity Report, when we post transactions, when the transaction is posted:

We transfer $2500 from First National Bank (Account #201) to Second National Bank (Account #333) to cover this week's payroll. When we post the following entries will be made:

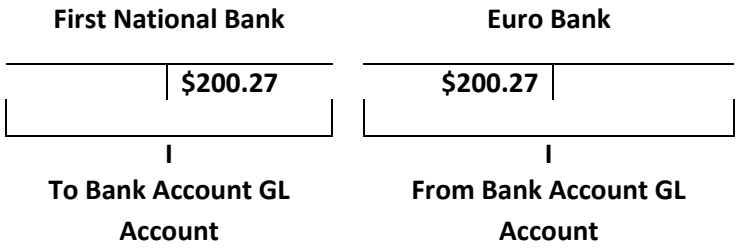


Multi-currency

Transfers using multi-currency will transfer funds between banks using an exchange rate to get the correct amount out of and into each bank account.

We want to transfer €150 from a Euro bank account into First National Bank, a US Dollar bank account. The exchange rate for the transfer is .749. The result is that there is €150 taken out of the Euro bank and $200.27 transferred to the US Dollar bank account.

The resulting GL transactions are displayed below. The GL accounts are from each bank account's setup.



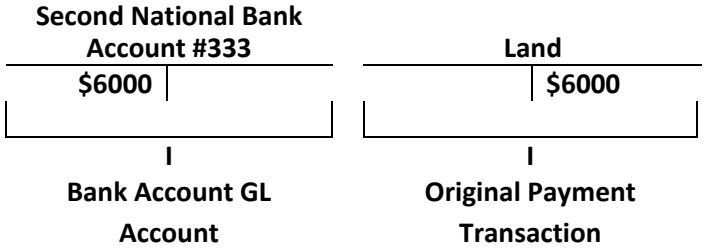
When transferring funds from a US Dollar (Base currency) bank account to a Euro (foreign currency) bank account the amounts transferred and posted are the same as the amounts entered into the transfer transaction.

4. **Void Check**

A check and/or payment (depending on the vendor check delivery option: electronic or paper) may be voided after it has been posted to the Bank Reconciliation Master Table **(tblBrMaster)**. The **Void Checks and Stop Payments** function is used to change the status of a check and/or payment to **Voided**. When the voided transaction is posted using the **Post Transactions** function, the check and/or payment amount is set to zero and the check and/or payment status is changed to **cleared** (in addition to **voided**). The Bank Reconciliation Master Table is updated with both the **voided** status and **cleared** status. Furthermore, the application that originated the transaction (For example, Accounts Payable or Payroll) is also be updated to reflect the **voided** check and/or payment.

We need to void check #123 ($6000) from Second National Bank (Account #333). The check was meant to purchase some land, but the deal was never completed. The check has been posted to the Transaction table (tblBrMaster).

The following entries are made to the Bank Reconciliation Master table **(tblBrMaster)** and can be viewed in the Reconciliation, Cleared Transactions function, and the General Ledger Journal table **(tblGlJrnl)** Transaction Journals, GL Journal or Activity Report, when we post transactions, when the transaction is posted:

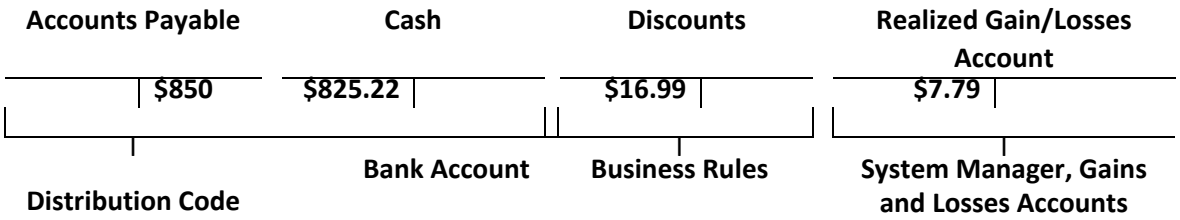


Multi-currency

We posted a payment from AP for a total of €630.70 using a vendor from Europe that wants their invoice and payments in Euros. The exchange rate was .749 Euros to 1 Dollar which converts to $850.00. The original invoice had a gain of $7.79 from the difference in exchange rates from when the invoice was posted to when the payment was posted.

We posted the invoice and now need to void the check.

When you void payments, entries are made to several accounts in the GL Journal, as shown below.



NOTE: The realized gains account will be credited if you have had a gain on the exchange rate differences and the realized losses account will be debited if you have had a loss on the exchange rate differences.

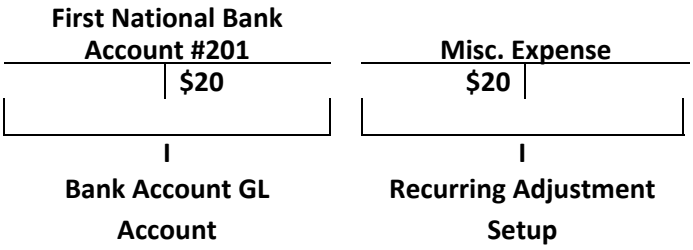
5. Recurring Adjustments

The **Recurring Adjustments** function is used to set up and maintain adjustments made regularly for fees and/or other charges commonly assessed by a bank.

The Bank Reconciliation Recurring Adjustment transaction is created by selecting the **Adjustment** transaction type (tab) and clicking **Update** from the **Transaction** function. The corresponding Recurring Adjustment code **(Payment No)** must be selected to initiate the transaction.

We are charged $20 by our bank, First National, to do a wire transfer (to our account at Second National Bank). When we are reconciling our accounts we will make these adjustments.

The following entries are made to the Bank Reconciliation Master table **(tblBrMaster)** and can be viewed in the Reconciliation, Cleared Transactions function, and the General Ledger Journal table **(tblGlJrnl)** Transaction Journals, GL Journal or Activity Report, when we post transactions, when the transaction is posted:

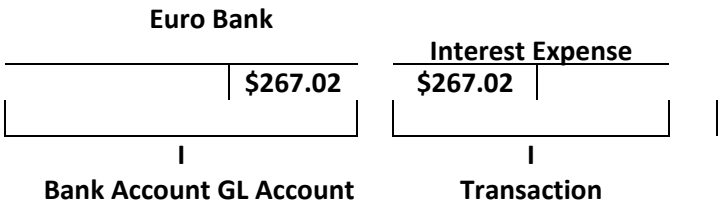


Multi-currency

Adjustments using multi-currency will adjust funds in your bank using an exchange rate to get the correct amount posted to GL for your base currency amounts.

We enter a bank fee adjustment for €200 for our Euro bank account. The exchange rate for the adjustment is .749. The result is that there is €200 taken out of the Euro bank and $267.02 posted to GL for the base currency amount.

The resulting GL transactions are displayed below. The GL accounts are from the bank account's setup and the offset account entered into the adjustment transaction.



The adjustment will be displayed as €200 in the Cleared Transactions function.

6. **Transaction Summary**

First National Bank Account #201	
1. $4800	2. $100
	3 $2500
	5. $20

Second National Bank Account #333	
	3. $2500
	4. $6000

Treasury Stock	
	1. $5000

Entertainment Expense	
2. $60	

Travel Expense	
2. $30	

Food and Beverage Expense	
2. $10	

Brokerage Expense	
1. $200	

Misc. Expense	
5. $20	

Land	
	4. $6000

4

FIXED ASSETS

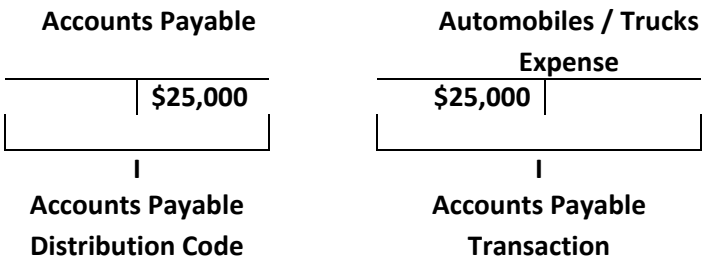
FIXED ASSETS AND GENERAL LEDGER

The TRAVERSE Fixed Asset package is designed for firms to calculate and track depreciation on fixed assets. Any company that has fixed assets, which are depreciated, will find this application useful. The system provides four sets of asset depreciation records: book, federal tax, other, and alternative minimum tax (A.M.T.)

In the following example, we will purchase a truck for use in our business. We will show the way that depreciation is handled at year-end. Finally we will retire the truck at a loss.

1. **Enter Purchases**

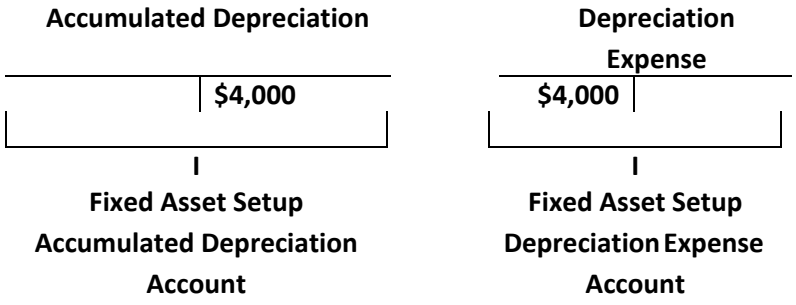
At the beginning of the fiscal year, we purchased a truck for our business at a cost of $25,000, and we will use the Straight Line Depreciation method.



If Fixed Assets is interfaced with General Ledger, the account numbers you enter in the asset records must be set up in the chart of accounts **(tblGlAcctHdr) and (tblGlAcctDtl)**. This will establish a record in our Fixed Asset table **(tblFaAsset)**.

2. **Post Period Depreciation**

Our truck will be depreciated over a five-year period with a $5000.00 salvage value. Below is the depreciation entry made at the end of the first year. Depreciation calculated using period depreciation.



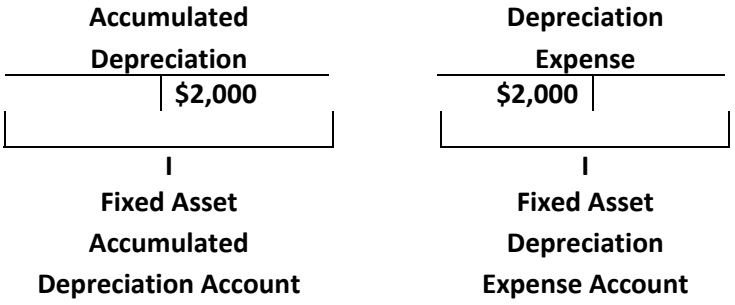
The system uses a two step method to account for depreciation.

- Period Work (Compute period depreciation and Post period depreciation).
- Year-End Maintenance (at year end to reset fiscal year and put periods to beginning of the year).

3. **Retire Assets**

For our example, we sold our truck in the middle of the second year. We sold the truck for $16,000.

- The first step in retiring an asset is posting the current depreciation.



- Retiring an asset does not remove it from the **General Ledger** asset accounts. After you retire and dispose of an asset, you must make a manual GL Journal entry to remove the asset from your books.

Cash	Automobiles / Trucks	Accumulated Depreciation	Other Expense
$16,000 |	| $25,000	$6,000 |	$3,000 |
Proceeds from selling Asset	Asset Account from Fixed Assets	Accumulated Depreciation Account from Fixed Assets	Expense of selling the Asset

The **Retire Assets function** enters a retirement date into the Fixed Assets table **(tblFaAsset)** and changes the asset status to retired. A retirement record is created in the Retirement tables **(tblFaRetire) and (tblFaRetireDepr)** using the information from the Fixed Assets Depreciation table **(tblFaAssetDepr)**.

Use the **Gain and Losses Report** to analyze the profits (or losses) from the disposal of retired assets and to determine whether you need to make an adjusting entry in the **General Ledger**.

In our example, we have used the information from the Gain and Loss Report to make an adjustment of $3,000 to Other Expenses

4. **Transaction Summary**

Account Payable	
	1. $25,000

Automobiles / Trucks	
1. $25,000	
	3b. $25,000

Accumulated Depreciation	
	2. $4,000
	3a. $2,000
3b. $6,000	

Depreciation Expense	
2. $4,000	
3a. $2,000	

Cash	
3b. $16,000	

Other Expenses	
3b. $3,000	

INVENTORY

5

INVENTORY AND GENERAL LEDGER

The TRAVERSE Inventory package is designed to suit the basic needs of almost any firm. The Inventory module will help you control and track the items you stock. For each item (including lotted and serialized items), Inventory tracks the quantities purchased, sold, and adjusted; location transfers; and Inventory adjustments and costs.

In order to clear up any confusion on accounting methods employed by Open Systems Inc., in the design of the Inventory module, this a model of the flow of accounting entries between **Inventory and General Ledger**.

For our example we will: Purchase Inventory (including a return), Sell Inventory (including a return), Make an Adjustment Transaction, Use Purchase Price Variances (Standard Cost Method Only), Make a Location Transfer, and Update Perpetual Inventory.

1. **Purchase Transactions**

Purchase transactions are used to process purchases you make from vendors. (Purchase transactions are updated online.) Purchasing activity is usually performed through the Accounts Payable / Purchase Order applications. If you do not have these applications, you can purchase items by entering one of the following transactions on the Purchase tab:

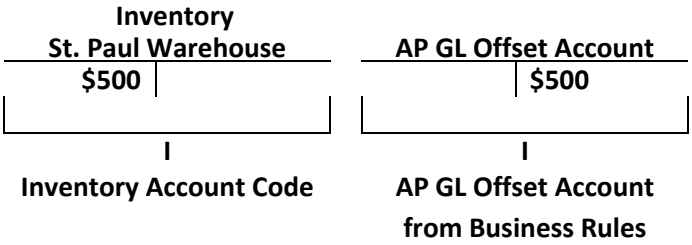
New Order: Use the *New Order* status to place orders that will be sent to you at a later date. A *New Order* increases the quantity on order and does not affect the quantity available.

Goods Received: Use the *Goods Received* status to update the quantity and cost of goods you received from the vendor. *Goods Received* increases the quantity on hand, decrease the quantity on order, and increase the quantity available.

Invoice: Use the *Invoice* status to record purchases of inventory items that were not placed on order. An *Invoice* increases the quantity on hand and the quantity available.

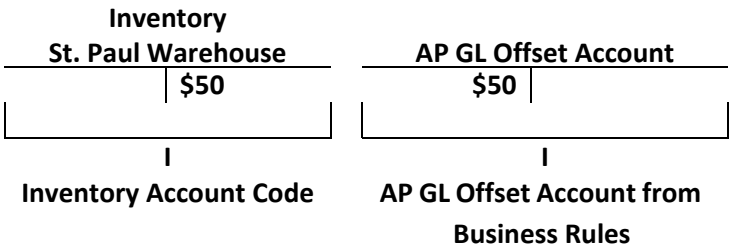
Miscellaneous Debits: Use the *Miscellaneous Debits* status when you return goods to a vendor. A *Miscellaneous Debit* decreases the quantity on hand and the quantity available.

We received a shipment of paper ($500), which had not been entered as a new order (Invoice transaction). The shipment was COD, and a check was issued upon receipt. When we post transactions, entries are made to these accounts:



We ordered some of the paper in the wrong color and had to return it ($50) (Miscellaneous Debit).

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.



2. **Sales Transactions**

Sales transactions are used to process customer sales. (Sales transactions are updated online) Sales activity is usually performed through the Accounts Receivable / Sales Order applications. If you do not have these applications, you can sell items by using the Sales tab on the Inventory Transactions screen. You can sell items by entering one of the following transactions:

New Order: Use the *New Order* status to record sales orders that will be shipped at a later date. A new order increases the quantity committed and decreases the quantity available.

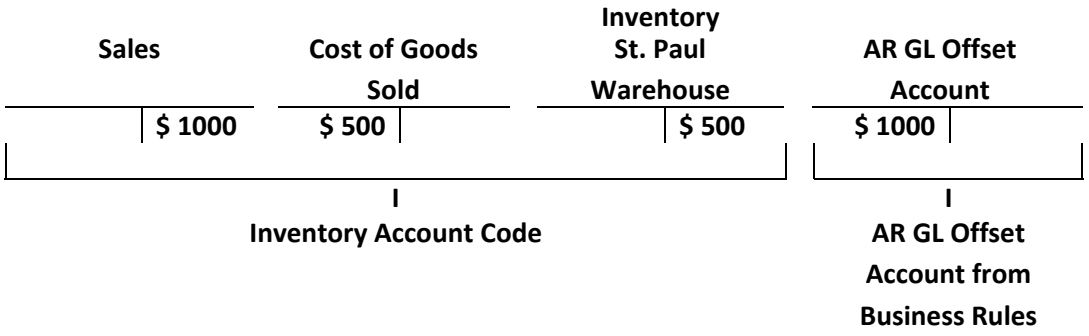
Verify Order: Use the *Verify Order* status to record the shipment of goods for sales orders. A verify order status decreases the quantity committed, decreases the quantity on hand and quantity available.

Invoice: Use the *Invoice* status to record sales activity. Sales Invoices are items that are sold and shipped at the same time. An Invoice combines the *new order* and *verify order* statuses, decreases the quantity on hand and available.

Micellaneous Credits: Use the *Miscellaneous Credit* status when a customer returns goods to you. A miscellaneous credit increases the quantity on hand and available.

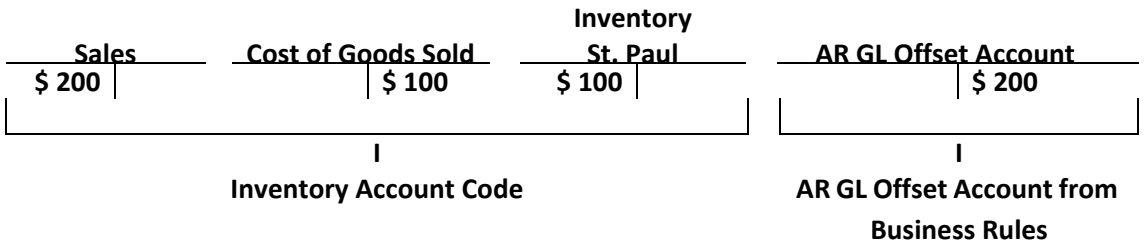
We sold $1000 of calendars to one of our customers. The calendars were sold and shipped at the same time (Invoice sale).

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.



Some of the calendars ($200) were returned. (Miscellaneous credit)

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.



3. **Adjustments Transactions**

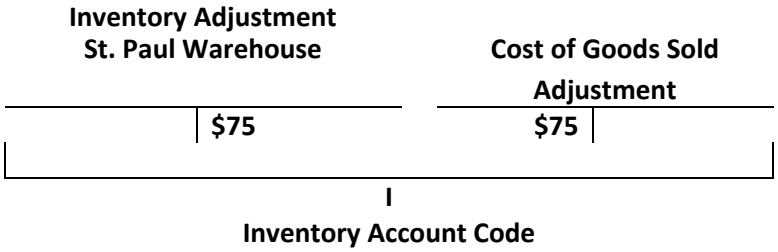
Adjustment transactions correct differences in quantity, such as might be found during a physical count. Adjustment transactions are also used to adjust quantities and costs of transactions posted from other applications. (Adjustment transactions are updated online.)

An adjustment to ***increase*** the quantity of an item increases the on-hand and available quantities.

An adjustment to ***decrease*** the quantity of an item decreases the on-hand and available quantities.

Some calendars ($75.00) were found to have a misprint, and were discarded.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.



4. **Posting Gl Adjustments**

The *Post GL Adjustments* function is no longer available to post COGS adjustments and purchase price variances to the general ledger. When the source transaction creating the COGS Adjustment or PPV is posted a COGS Adjustment or PPV transaction is generated in GL.

5. **Location Transfers**

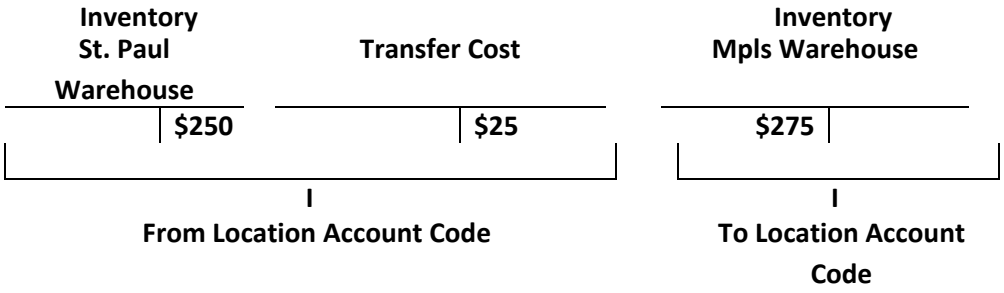
Use the Location Transfers function to move inventory from one location to another. When you enter a transfer, the system updates the quantities and files online.

The quantity on hand and available for the source location is decreased by the number of items sent to the destination location and the quantity on hand and available for the destination location is increased by the number of items sent from the source location.

If the transfer incurs expenses, you can allocate them.

We ship 10 boxes ($250) of calendars from our main plant in St. Paul to our outlet store in Minneapolis. It cost us $25 to transfer the calendars.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transfers.



6. **Material Requisitions**

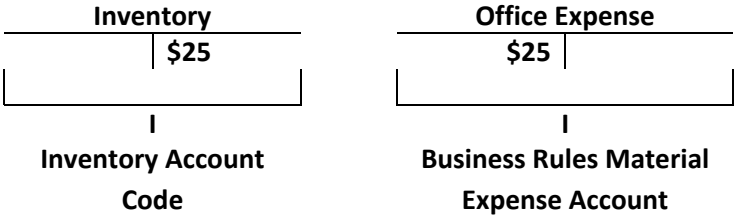
We need some of the paper we have in our inventory, for use in the office. The paper we need cost us $25.

The paper taken out for our use in the office is entered into the Item Detail area.

We use the Material Requisitions function to enter the information. This creates a record in the Material Requisitions tables **(tblInMatReqHeader) and (tblInMatReqDetail)**.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post material requisitions.

Internal Usage items



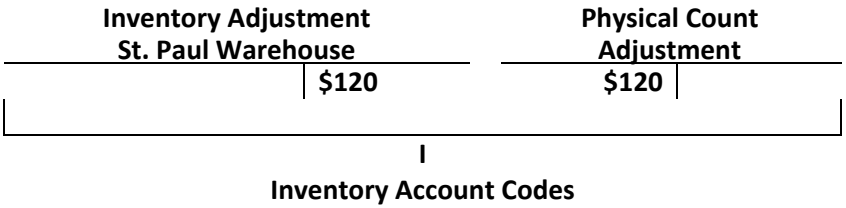
7. **Updating Perpetual Inventory**

The on-hand quantities, in the item record, are updated by the difference between, the frozen quantity and the physical counts you enter. Also the Bin Information tab fields are updated with

the counted amounts for each bin. If Inventory is interfaced with General Ledger, entries are created in the **(tblGlJrnl)** table.

When we finished our physical inventory, we came up short 4 boxes of blue paper at $30.00 per box.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we update perpetual inventory.



8. **Transaction Summary**

Inventory St. Paul Warehouse	
1a. $500	
	1b. $50
	2a. $500
2b. $100	
	5. $250
	6. $25

Inventory Minneapolis Warehouse	
5. $275	

Transfer Cost	
	5. $25

Sales	
	2a. $1000
2b. $200	

AR GL Offset Account	
2a. $1000	
	2b. $200

Cost of Goods Sold	
2a. $500	
	2b. $100
3. $75	
5. $25	

Physical Counts Adjustments	
7. $120	

Purchase Price Variance	
4b. $100	

AP GL Offset Account	
	1a. $500
1b. $50	

Inventory Adjustment St. Paul Warehouse	
	3. $75
4a. $600	
	4b. $100
	7. $120

COGS Adjustment St. Paul Warehouse	
3. $75	
	4a. $600

Office Expense	
	6. $25

PAYROLL

6

PAYROLL AND GENERAL LEDGER

The TRAVERSE Payroll package is designed to suit the needs of almost any firm. Use the Payroll System to automatically calculate: employee wages; federal, state, and local withholdings; and deductions. The Payroll system also tracks bonus pay, sick and vacation time, and accumulates information for tax reporting. The Payroll system can also be used to produce paychecks, reports, and employee W-2 forms.

In order to clear up confusion on accounting methods employed by Open Systems Inc., in the design of the Payroll module, this a model of the flow of accounting entries between **Payroll and General Ledger**.

In the following example, we will: Enter Payroll Transactions, Copy Recurring Entries, Post Transactions, Calculate Checks, Enter a Manual Check, Print Checks, Post Checks, Void a Check, and do Periodic Maintenance.

1. **Payroll Transactions**

Once the Payroll system is set up, almost all the new data in the system comes through the Transactions tables **(tblPaTransEarn), (tblPaTransDeduct) and (tblPaTransEmplrCost)**.

> ***We entered the following information using Payroll Transactions.***
>
> ***Alice worked 30 hours this week, in the Sales Department (at $10.00/hour).***
>
> ***Total gross $300.00***

2. **Copy Recurring Entries**

Use the Copy Recurring Entries function to copy recurring time tickets. The Recurring Entries tables **(tblPaRecurEarn), (tblPaRecurDeduct) and (tblPaRecurEmplrCost)** stores information about recurring time tickets, which you enter through the Recurring Entries function.

Barb's payroll is set up as a recurring entry transaction.

She works 40 hours per week in the Manufacturing Department. (at $15.00/hour).

Total gross $600.00.

3. **Post Transactions**

After Time Tickets have been entered, use the Post Transactions function, to update the Flag to Posted. Once the flag has been set to YES for posted transactions you can now prepare checks.

Information from the Transaction tables **(tblPaTransEarn), (tblPaTransDeduct) and (tblPaTransEmplrCost)** can be posted on any schedule. You must post before you can calculate payroll checks. After the information is posted, the data from the Transactions tables **(tblPaTransEarn), (tblPaTransDeduct) and (tblPaTransEmplrCost)** is available to make changes if an error occurs. The data in **(tblPaTransEarn), (tblPaTransDeduct) and (tblPaTransEmplrCost)** will not be removed until the post of checks.

Transactions are posted through the Payroll Transactions and Copy Recurring Entries functions.

4. **Calculate Checks**

To calculate checks for ***salary*** employees, the system uses the information in the:

- Employee General Information table **(tblPaEmpGenInfo)** set up in the Employee Information on the Setup and Maintenance menu.

For ***both***, the system reads the deductions and withholding information in the table to calculate deductions, withholding, and net pay:

- Employee Deduction table **(tblPaEmpDeduct)**, from the Deductions tab in the Employee Information setup.
- Employee Withholding (Federal, State, Local) **(tblPaEmpFedWithhold), (tblPaEmpStateWithhold)**, from the Taxes tab in the Employee Information setup.
- Employee Withholding History table **(tblPaEmpHistWithhold)**, viewed using the Employee History Withholding view.
- Employee Miscellaneous History table **(tblPaEmpHistMisc)**, from the Misc tab in the Employee History view.

We select "Include Salary Wages" when prompted.

Carol works in the Administration Department, and is set up in the "Employee General Information table" (tblPaEmpGenInfo) for a salary of $1000.00/week.

When we "Calculated Checks" the following withholdings and deductions are used to calculate net pay.

	Alice	Barb	Carol
Gross Pay	300	600	1000
Federal	30	120	200
OASDI	18	36	60
MED Withholding	6	12	20
State Withholding	10	20	30
Medical Insurance	25	50	25
Credit Union	50		
United Way		20	
401K			60
Net Pay	161	342	605
	Sales Dept.	Manufacturing	Administration

Check records are then stored in these tables:

- Checks table **(tblPaChecks)**
- Check Earning table **(tblPaCheckEarn)**
- Checks Deductions table **(tblPaCheckDeduct)**
- Checks Withholding table **(tblPaCheckWithhold)**

5. **Manual Checks**

Use the Manual Checks function when you want to produce payroll checks outside the normal payroll cycle. You may produce a manual check for the employee before the next payday or produce multiple checks on payday.

The manual Checks function uses the same tables as the Calculate Checks function.

Barb has qualified for a bonus of $250, through the company's "Bright Idea" program. She will receive the bonus this week, in a separate check.

The following withholdings will be made when we calculate checks:

Gross Pay	***250***
Federal	***50***
OASDI	***15***
MED withholding	***5***
State Withholding	***10***
Net Pay	***170***

6. **Print Checks**

Use the Print Checks function to print checks created through the Calculate Checks function or that you entered through Manual Checks.

Checks are printed using information from the following tables (Updated during Calculate Checks):

- Checks table **(tblPaChecks)**
- Check Earning table **(tblPaCheckEarn)**
- Checks Deductions table **(tblPaCheckDeduct)**
- Checks Withholding table **(tblPaCheckWithhold)**

Checks are printed for the following:

Alice $161.00

Barb 342.00

Carol 605.00

Barb (Bonus) 170.00

7. **Post Checks**

Once checks are posted, they cannot be edited later.

When you Post Checks, these tables are updated:

- Employee General Information **(tblPaEmpGenInfo).**
- Employee Deduction History **(tblPaEmpHistDeduct).**
- Employee Earning History **(tblPaEmpHistEarn).**
- Employee Withholding History **(tblPaEmpHistWithhold).**
- Employee Miscellaneous History **(tblPaEmpHistMisc).**
- Leave Adjustment History **(tblPaEmpHistLeave).**

Paycheck detail is transferred to these tables (If selected in Business Rules):

- Check History table **(tblPaCheckHist).**
- Check Deductions History table **(tblPaCheckHistDeduct).**
- Check Earnings History **(tblPaCheckHistEarn).**
- Check Withholdings History **(tblPaCheckHistWithhold).**
- Check Employer Cost History **(tblPaCheckEmplrCost).**
- Check Employer Tax History **(tblPaCheckEmpleTax).**

The Transaction Post tables **(tblPaTransEarn), (tblPaTransDeduct) and (tblPaTransEmplrCost)** are cleared .

The Department tables **(tblPaDept), (tblPaDeptDtl) and (tblPaDeptDtlAmount)** are updated for employees.

The information in the Checks table **(tblPaChecks)** is erased.

The pay period detail is posted to the Journal table **(tblGlJrnl)**.

- **Credits** are entered for:

Net Pay

Deduction Liability

Tax Liability

- **Debits** are entered for:

Gross Pay

Advance EIC Payments

Employer Expense Accounts

Posted amounts do not include the types of **Other Pay** (tips…) that are excluded from the employee's net pay.

The following entries are made in the GL Journal table **(tblGlJrnl)** when we post checks, for the **Employee** portion of the calculated checks.

Total for Alice, Barb (plus bonus), and Carol.

Earning Code Expense Account		Net Pay Cash		Federal Withholding Liability Account		OASDI Withholding Liability Account		MED. Withholding Liability Account	
$2150			$1278		$400		$129		$43

State Withholding Liability Account		Medical Ins. Deduction Liability Account		Credit Union Deduction Liability Account		United Way Deduction Liability Account		401K Deduction Liability Account	
	$70		$100		$50		$20		$60

The Earning Code Expense Accounts are set up in the Department Detail **(tblPaDeptDtl)** table. The withholding accounts are set up in the Withholdings table **(tblPaFedTaxCode) and (tblPaStateTaxCode)**, and post to the GL account number entered in that table. The deduction liability accounts post to the Deduction table **(tblPaDeductCode)**. The Cash account comes from the **(tblSmBankAcct)** table.

The following entries are made in the GL Journal table **(tblGlJrnl)** when we post checks, for the **Employer** portion of the calculated checks.

Employer OASDI Liability Account		Employer MED Liability Account		FUTA Liability Account		SUI Liability Account	
	$129		$43		$22		$10

Employer OASDI Expense Account		Employer MED Expense Account		FUTA Expense Account		SUI Expense Account	
$129		$43		$22		$10	

The tax liability accounts come from the Withholdings table **(tblPaFedTaxCode)**, and post to the GL account number from that table.

The expense accounts information comes from the **(tblPaDeptDtl)** table.

8. **Void Checks**

Use the Void Checks function to void checks that have been **printed and posted** but need to be reversed or voided. The check you want to void must have been posted to history.

Voiding a check is the reverse of posting (the check is backed out). If Payroll is interfaced with General Ledger the check history is backed out of that application. The check remains in the Check History table **(tblPaCheckHist)** but is marked as a voided check.

The Payroll Department is notified, that the company no longer employs Carol, and she should not have been issued a check. The check is voided using the Void Checks function.

The following entries are made in the GL Journal table **(tblGlJrnl)** when we void checks, for both the **Employee** and **Employer** portion of the voided checks.

Net Pay		Federal Withholding		OASDI Withholding Liability Account		Medicare Withholding Liability Account	
Cash		Liability Account					
$605		$200		$60		$20	

State Withholding Liability Account		Medical Deduction Liability Account		401K Deduction Liability Account	
$30		$25		$60	

Employer OASDI Liability Account		Employer MED Liability Account		FUTA Liability Account		Earnings Expense	
$60		$20		$10			$1000

SUI Liability Account		SUI Expense Account		FUTA Expense Account		Emplr OASDI/MED Expense Account	
$5			$5		$10		$60
							$20

9. **Transaction Summary**

Earning Code Expense Account

7. $2150	
	8. $1000

Cash

	7. $1278
8. $605	

Federal Withholding Liability Account

	7. $400
8. $200	

State Withholding Liability Account

	7. $70
8. $30	

OASDI Withholding Liability Account

	7. $129
8. $60	

MED Withholding Liability Account

	7. $43
8. $20	

Medical Liability Account

	7. $100
8. $25	

Credit Union Liability Account

	7. $50

United Way Liability Account

	7. $20

401K Deduction Liability Account

	7. $60
8. $60	

FUTA Liability Account

	7. $22
8. $10	

FUTA Expense Account

7. $22	
	8. $10

Employer OASDI Liability Account

	7. $129
8. $60	

Employer MED Liability Account

	7. $43
8. $20	

Employer OASDI Expense Account

7. $129	
	8. $60

Employer MED Expense Account

7. $43	
	8. $20

SUI Liability Account

	7. $10
8. $5	

SUI Expense Account

7. $10	
	8. $5

PURCHASE ORDER

7

PURCHASE ORDER, INVENTORY AND GENERAL LEDGER

The TRAVERSE Accounting Software Purchase Order package is designed to suit the basic needs of almost any firm. The Purchase Order System will track orders you place with vendors, invoices from vendors, pay invoices, and create a number of management reports. The system can also be used to track Recurring Entries (transactions that require the same payment on a regular schedule).

In order to clear up confusion on accounting methods employed by Open Systems, Inc. in the design of the Purchase Order module, this is a model of the flow of accounting entries between **Purchase Order and General Ledger**.

For our example we will use a printing firm. First we will order paper to be used in our manufacturing operations. Next we will receive the paper. Separately we will receive the invoice for the merchandise. We will return some of the paper. In the payment cycle we will pay for our order. We finish by doing period end activity.

1. **Generate Orders**

Use the Reorder Processing function to find the most efficient way to satisfy a particular demand. This creates a record in the **(tblPoPurchaseReq)** (Purchase Requisition). (Order status is *new* at this time) By using the Generate Purchase Requisitions function, we can convert this into an actual order. This will transfer the information to the transaction tables **(tblPoTransHeader) and (tblPoTransDetail)**, in the Transactions function on the Transactions menu.

The status assigned to each order, and each line item, alerts you (and the system) to where the order, and each line item, falls in the Purchase Order work cycle. An order can have one of three statuses: *new, goods received and, invoice received.* A line item can have one of three statuses: *open*, *canceled*, or *completed.*

We have decided to place an order with our regular vendor for some paper. Our order is for white paper $175, yellow paper $175, green paper $50 and pink paper for $50, for a total of $450.

2. **Receive Order**

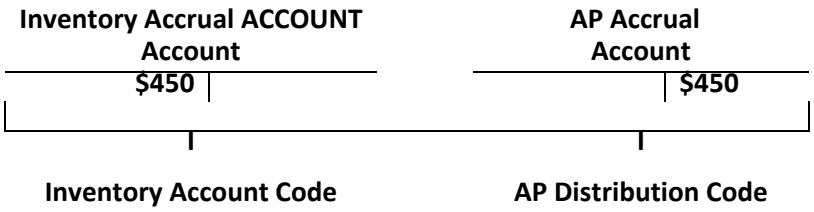
We receive our paper order ($450 total), but the invoice was not included with the shipment.

We use the Transactions function (Receipts/Invoices button) to record this transaction. This creates a record in the Goods Received table **(tblPoTransReceipt).** When you receive goods for an order with new or printed status, the status of the order changes to goods received. (You can receive goods for an order as many times as necessary.)

We have Purchase Order interfaced with Inventory, so the amount we receive decreases the inventory amount on order and increases the amount on hand and available in inventory.

If you elected to use **accruals** in the Purchase Order **Business Rules** function, accrual entries are created in the General Ledger, when you receive goods without the invoice. The AP accrual accounts come from the Business Rules.

The following accrual entries will be made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post receipts.



3. **Receive Invoice**

When we receive the invoice for the order the cost is $500 ($200 white, $200 yellow $50 green and $50 pink) which is more than we had originally anticipated. The invoice also included: $25 sales tax (calculated from the tax locations), $40 freight charges and $10 for handling.

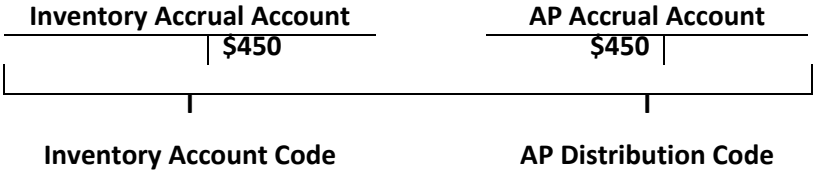
We use the Transactions function (Receipts/ Invoices button) to record this transaction. This creates a record in the Invoices Applied table **(tblPoTransInvoice)**. When you apply an invoice to an order with goods received status, the status of the order changes to invoice received. (You cannot apply an invoice to an order before you receive goods)

Information about orders is moved from the **(tblPoTransHeader), (tblPoTransDetail),(tblPoTransReceipt), (tblPoTransInvoice), and (tblPoTransInvoiceTax)** tables to the **(tblPOHistHeader), (tblPOHistDetail), (tblApHistHeader), (tblApHistDetail) and (tblApOpenInvoice)** when you post. The open invoices can be viewed using the AP Invoice view or Hold/Release Invoices. The invoice history can be viewed using the PO Orders view, AP Detail History view, AP Summary History view or reports.

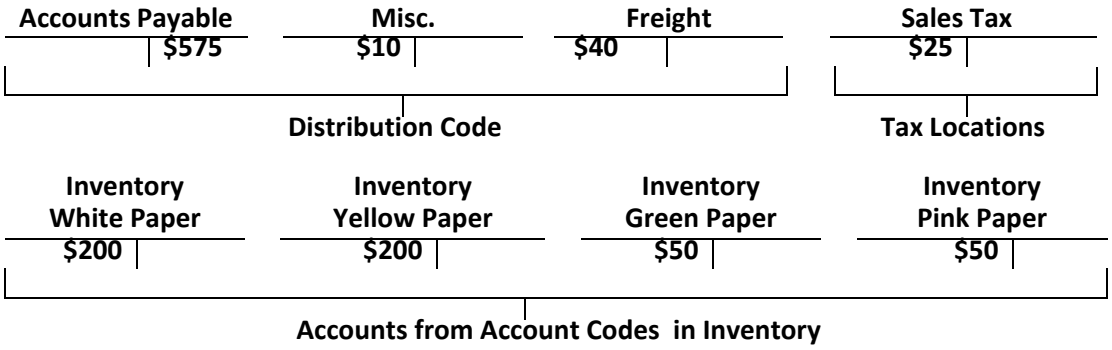
Information on the vendor is stored in the vendor table **(tblApVendors)** in the Vendor setup and view, including attribute tables for Terms Code **(tblApTermsCode)**, Terms Codes setup, and Distribution Codes **(tblApDistCode)**, Distribution Codes setup.

(If you elected to use accruals in the Business Rules function.) The original **accrual entries are reversed** in General Ledger, when you invoice the goods that have accrued.

The following accrual entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.



The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.



4. **Return Goods**

We ordered the wrong tint of pink paper and we had to return it ($50.). We are refunded our original cost for the paper along with the sales tax. The freight and the handling charges are not refundable.

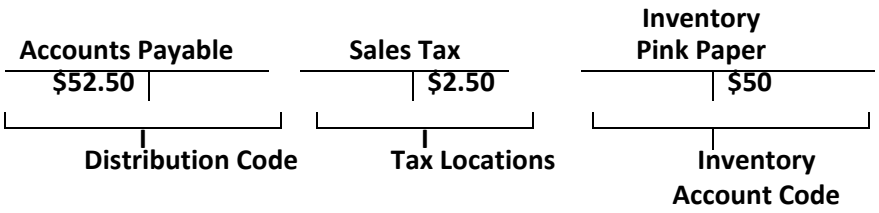
Use the **Transactions** function to enter the return and select New Return as the transaction Type. Do not enter a negative number when entering the quantity. The system knows that you are entering the number returned. The status of the return is *New Return*.

Use the Auth/Debit Memo to enter the Return Authorization and Debit Memo information when we receive the return authorization and debit memo.

With Inventory interfaced with Purchase Order, the on hand and available quantities, in the inventory item record, are reduced by the amount returned.

Information about unposted returns is stored in the **(tblPoTransDetail), (tblPoTransHeader), (tblPotransinvc_rctp),(tblPoTransInvoice), (tblPoTransInvoicetax), (tblPoTransInvoiceTot), (tblPotransreceipt), (tblPotransLotRecpt), (tblPotransSer)** are moved to the **(tblPOHistHeader), (tblPOHistDetail), (tblApHistHeader), (tblApHistDetail) and (tblApOpenInvoice)** when you post. The open invoices can be viewed using the AP Invoice view or Hold/Release Invoices. The invoice history can be viewed using the PO Orders view, AP Detail History view, AP Summary History view or reports.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.



5. **Payment Cycle**

We use the **Prepare Payments** function in Accounts Payable to create a record in the Checks table **(tblAPPrepChkCheck)**.

When we use the **Print Checks** function, the checks are printed using the information in the Checks table. **(tblAPPrepChkCheck) and (tblAPPrepChkInvc).**

When we **Post Payments** for invoices, the status is changed in the Open Invoice table **(tblApOpenInvoice)** totals and history information in the Vendor table **(tblAPVendor)** is updated, and the Checks tables **(tblAPPrepChkCheck) and (tblAPPrepChkInvc)** are cleared.

The terms for our purchase is 2/10 n/30 (tblAPtermsCode). We want to pay for the invoice in time to take advantage of these terms. The terms do not apply to the Freight and Handling.

The following entries are made in the GL Journal table (tblGlJrnl), Transaction Journals, GL Journal or Activity Report, when we post payments.

Accounts Payable	Discounts	Cash
$522.50	$9.45	$513.05
Distribution Code	Business Rules	Payment Method Bank Account

Realized Gains and Losses - Post Payments

If you use multicurrency, TRAVERSE automatically creates entries for any realized gains or losses due to fluctuating currency exchange rates for payments in the accounts you specified in the System Manager Gains and Losses Accounts function to record those gains and losses for correct accounting. Because individual transactions may have been recorded with different exchange rates, information is always posted in detail when you use multicurrency.

We posted an invoice for a total of €630.70 using a vendor from Europe that wants their invoice and payments in Euros. The exchange rate was .742 Euros to 1 Dollar which converts to $850.00.

When we are ready to pay the invoice the exchange rate now has changed to .749 Euros to 1 dollar. We get a 2% discount for paying early which equals $16.99. This translates to a gain of $7.79 with the new exchange rate vs. the original exchange rate of the invoice.

When you post payments, entries are made to several accounts in the GL Journal, as shown below.

Accounts Payable	Cash	Discounts	Realized Gain/Losses Account
$850	$825.22	$16.99	$7.79
Distribution Code	Bank Account	Business Rules	System Manager, Gains and Losses Accounts

NOTE: The realized gains account will be credited if you have had a gain on the exchange rate differences and the realized losses account will be debited if you have had a loss on the exchange rate differences.

6. **Transaction Summary**

Inventory Accrual Account	
1. $450	2. $450

AP Accrual Account	
2. $450	1. $450

Accounts Payable	
4. $52.50	3. $575
5. $522.50	

Cash	
	5. $513.05

Sales Tax	
3. $25	4. $2.50

Freight	
3. $40	

Misc.	
3. $10	

Discounts	
	5. $9.45

Inventory White Paper	
3. $200	5. $25

Inventory Yellow Paper	
3. $200	

Inventory Green Paper	
3. $50	

Inventory Pink Paper	
3. $50	4. $50

PURCHASE ORDER, PROJECT COST AND GENERAL LEDGER

The TRAVERSE Purchase Order package is designed to suit the basic needs of almost any firm. The Purchase Order System will track orders you place with vendors, invoices from vendors, pay invoices, and create a number of management reports. The system can also be used to track Recurring Entries (transactions that require the same payment on a regular schedule), or Material Requisitions (used to remove items from inventory for internal use).

In order to clear up confusion on accounting methods employed by Open Systems, Inc. in the design of the Purchase Order module, this a model of the flow of accounting entries between **Purchase Order, Project Costing and General Ledger**.

For our example we will use a printing firm. First we will order paper to be used in our manufacturing operations to be used in a contracted project we have set up as a Job Cost project. We will also order paper to be used in our manufacturing operations to be used in a time and material project we have set up as a Billable project (no material markup percent was used). Next we will receive the paper. Separately we will receive the invoice for the merchandise. We will return some of the paper. In the payment cycle we will pay for our order.

1. **Receive Order**

We receive our contracted (Job Cost) paper order ($450), but the invoice was not included with the shipment.

We receive our time and material (Billable) paper order ($450), but the invoice was not included with the shipment.

We use the Transactions function (Receipts/Invoices button) to record this transaction. This creates a record in the Goods Received table **(tblPoTransReceipt).** When you receive goods for an order with new or printed status, the status of the order changes to goods received. (You can receive goods for an order as many times as necessary.)

No entries are made to Inventory quantities or the Inventory Accrual account, because the items were purchased specifically for a project. We are assuming the items are going directly to a project and never going to inventory.

If you elected to use **accruals** in the Purchase Order **Business Rules** function, accrual entries are created in the General Ledger, when you receive goods without the invoice. The AP accrual accounts come from the Business Rules.

The following accrual entries will be made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post receipts.

Job Cost Project

Project Accrual Account	AP Accrual Account
$450	$450
Project Distribution Code	AP Distribution Code

Billable Project

Project Accrual Account	AP Accrual Account
$450	$450
Project Distribution Code	AP Distribution Code

2. **Receive Invoice**

When we receive the invoice for each order the cost is $500, which is more than we had originally anticipated. The invoice also included: $25 sales tax (calculated from Tax Locations), $40 freight charges and $10 for handling. The Billable project has a 100% markup on the material purchased for the project.

We use the Transactions function (Receipts/Invoices button) to record this transaction. This creates a record in the Invoices Applied table **(tblPoTransInvoice)**. When you apply an invoice to an order with goods received status, the status of the order changes to invoice received. (You cannot apply an invoice to an order before you receive goods)

Information about orders is moved from the **(tblPoTransHeader), (tblPoTransDetail),(tblPoTransReceipt), (tblPoTransInvoice), and (tblPoTransInvoiceTax)** tables to the **(tblApHistHeader), (tblApHistDetail) and (tblApOpenInvoice)** when you post. The open invoices can be viewed using the AP Invoice view or Hold/Release Invoices. The invoice history can be viewed using the Detail History view, Summary History view or reports.

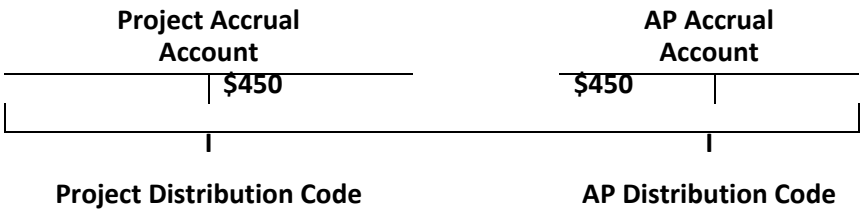
Since Purchase Order is interfaced with Project Cost the **(tblPoTransHeader), (tblPoTransDetail), (tblPoTransReceipt), (tblPoTransInvoice), and (tblPoTransInvoiceTax)** tables update the cost information in the **(tblJcProject) (Projects)** and **(tblJcTransHistory) (Transaction History)** tables. The information in the **(tblJcTransHistory)** table is automatically updated, and the **(tblJcProject**) table is updated when you post (if selected).

Information on vendors is stored in the vendor table **(tblApVendors)** and viewed and edited in the Vendors screen, including attribute tables for Terms Code **(tblApTermsCode)**, Setup and Maintenance, Terms Codes and Distribution Codes **(tblAPDistCode)**, Setup and Maintenance, Distribution Codes..

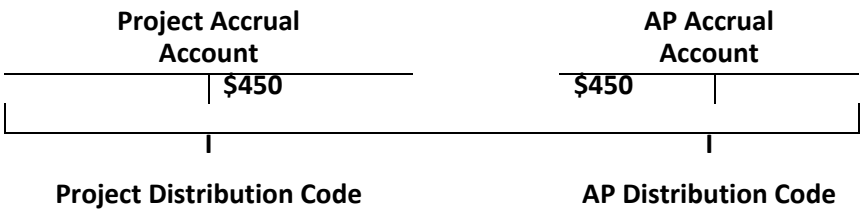
If you elected to use **accruals** in the **Purchase Order Business Rules** function, accrual entries are created in the General Ledger, when you receive goods without the invoice. The AP accrual accounts come from the **Business Rules**.

The original **accrual entries are reversed** in General Ledger, when you invoice the goods that have accrued.

Job Cost Project

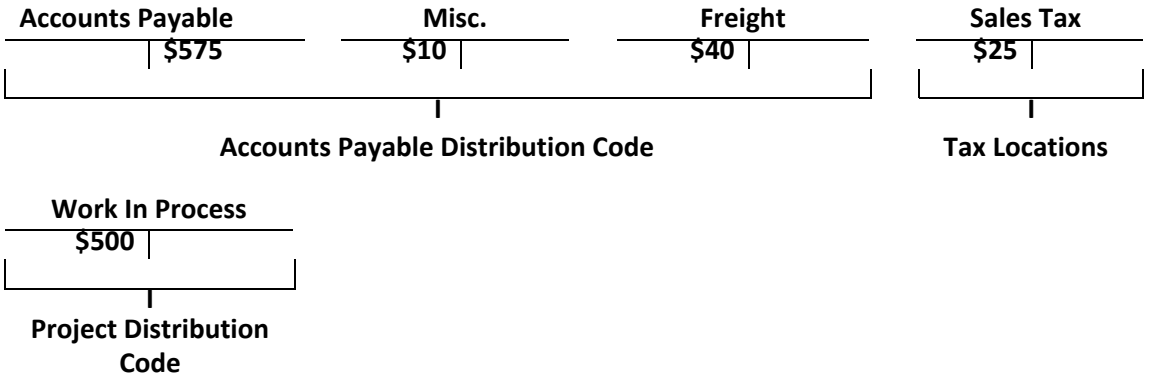


Billable Project

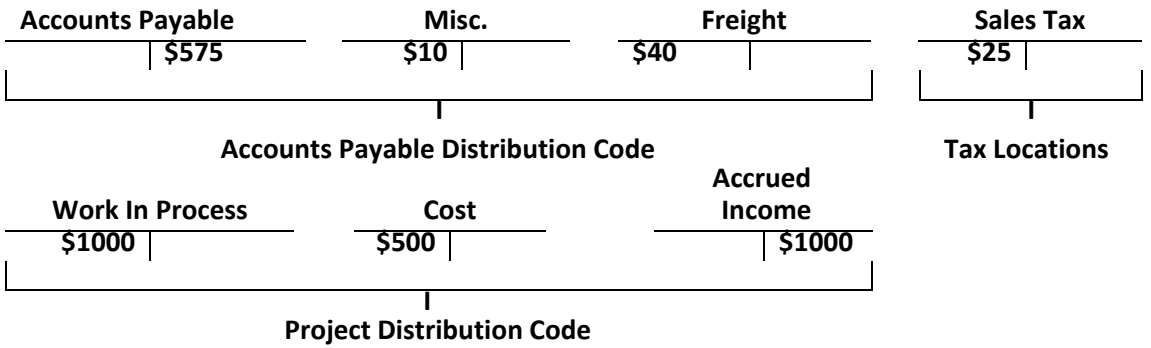


The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.

Job Cost Project



Billable Project



3. **Return Goods**

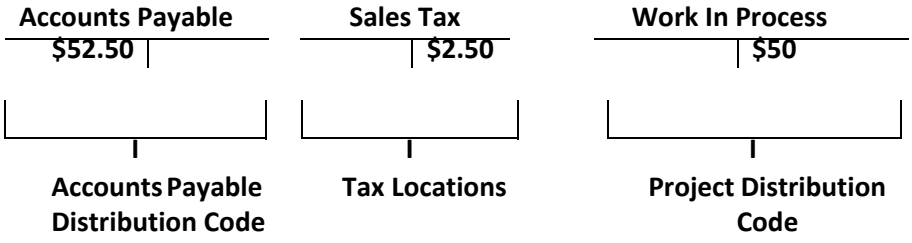
We ordered some of the paper in the wrong color for each project and we had to return it ($50.). We are refunded our original cost for the paper along with the sales tax. The freight and the handling charges are not refundable.

Use the **Enter Returns** function to enter the return. Do not enter a negative number when entering the quantity. The system knows that you are entering the number returned. The status of the return is *Returned and Debited*.

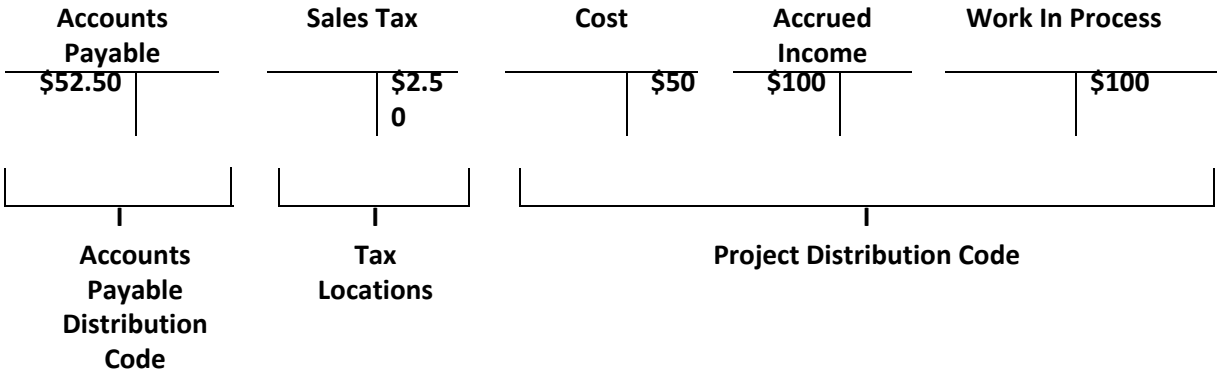
Information about returns is moved from the **(tblPoTransHeader),(tblPoTransDetail),(tblPoTransReceipt), (tblPoTransInvoice), and (tblPoTransInvoiceTax)** tables to the **(tblApHistHeader), (tblApHistDetail) and (tblApOpenInvoice)** when you post. The open invoices can be viewed using the AP Invoice view or Hold/Release Invoices. The invoice history can be viewed using the Detail History view, Summary History view or reports.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.

Job Cost Project



Billable Project



4. **Payment Cycle**

We use the **Prepare Payments** function to create a record in the Checks table (**tblApPrepChkCheck**).

When we use the **Print Checks** function, the checks are printed using the information in the Checks tables **(tblApPrepChkCheck) and (tblApPrepChkInvc)**.

When we **Post Payments** for invoices, the status is changed in the Accounts Payable Open Invoice table **(tblApOpenInvoice)**, (Invoices that are paid in full, change to a status to paid, and the check numbers and dates are added to the Accounst Payable Open Invoice table **(tblApOpenInvoice).** The totals and history information in the Vendor table **(tblApVendor)** is updated, and the Checks table **(tblAPPrepChkCheck) and (tblAPPrepChkInvc)** is cleared.

The terms for our purchase is 2/10 n/30 from the Terms Code table (tblAPtermsCode). We want to pay for the invoice in time to take advantage of these terms. The terms do not apply to the Freight and Handling (DISCxxx Table).

The following entries are made in the GL Journal table (tblGlJrnl), Transaction Journals, GL Journal or Activity Report, when we post payments.

Realized Gains and Losses - Post Payments

If you use multicurrency, TRAVERSE automatically creates entries for any realized gains or losses due to fluctuating currency exchange rates for payments in the accounts you specified in the System Manager Gains and Losses Accounts function to record those gains and losses for correct accounting. Because individual transactions may have been recorded with different exchange rates, information is always posted in detail when you use multicurrency.

We posted an invoice for a total of €630.70 using a vendor from Europe that wants their invoice and payments in Euros. The exchange rate was .742 Euros to 1 Dollar which converts to $850.00.

When we are ready to pay the invoice the exchange rate now has changed to .749 Euros to 1 dollar. We get a 2% discount for paying early which equals $16.99. This translates to a gain of $7.79 with the new exchange rate vs. the original exchange rate of the invoice.

When you post payments, entries are made to several accounts in the GL Journal, as shown below.

NOTE: The realized gains account will be credited if you have had a gain on the exchange rate differences and the realized losses account will be debited if you have had a loss on the exchange rate differences.

5. **Transaction Summary**

Project Accrual Account	
1a. $450	
1b. $450	
	2a. $450
	2b. $450

AP Accrual Account	
	1a. $450
	1b. $450
2a. $450	
2b. $450	

Cost Account	
2b. $500	
	3b. $50

Accounts Payable	
	2a. $575
	2b. $575
3a. $52.50	
3b. $52.50	
4. $522.50	

Accrued Income	
	2b. $1000
3b. $100	

Cash	
	4. $513.05

Sales Tax	
2a. $25	
2b. $25	
	3a. $2.50
	3b. $2.50

Freight	
2a. $40	
3b. $40	

Misc.	
2a. $10	
3b. $10	

Work In Process	
2a. $500	
2b. $1000	
	3a. $50
	3b. $100

Discounts	
	4. $9.45

SALES ORDER

8

SALES ORDER, INVENTORY AND GENERAL LEDGER

The Open Systems Accounting Software Sales Order package is designed to suit the basic needs of almost any firm. The Sales Order System will track sales to customers, generate statements (through Accounts Receivable), record returns, apply payments on outstanding balances (and create a number of management reports. The system can also track recurring orders (through Accounts Receivable) transactions that come up repeatedly and blanket orders, through Distribution Planning, (for which you must ship merchandise over time). You can use this application to track your receivables, including aging (through Accounts Receivable), calculating finance charges (through Accounts Receivable), and writing off uncollectable accounts (through Accounts Receivable). Sales Order can also help with warehouse and shipping control.

In order to clear up confusion on the accounting methods employed by Open Systems, Inc. in the design of the Sales Order module, this a model of the flow of accounting entries between **Sales Order, Inventory and General Ledger.**

For our example we will use a printing firm. First we will sell some of our calendars, then, some of those calendars are returned for credit. We record a Cash Receipt. Part of an account is charged off to bad debt. We release a scheduled Blanket Order. We use the Copy Recurring Entries function to record a transaction that we use repeatedly. Finance charges are calculated and recorded.

1. **Enter Orders**

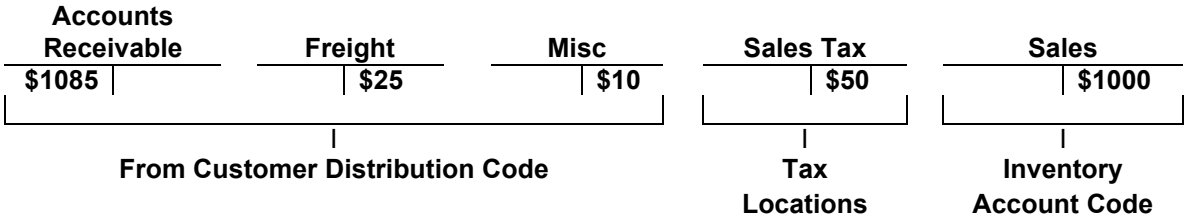
One of our regular customers (ABC Gifts) orders some of our calendars ($200 Puppy Calendars, $300 Duluth Cityscape Calendars, $500 Flowers Calendars). The invoice also includes: $50 sales tax (calculated from the tax locations), $25 for freight charges, and a $10 handling fee (Misc).

Information on customers is stored in the Customer table **(tblArCust)**, Setup and Maintenance, Customers, including attribute tables for Terms Codes **(tblArTermsCode)**, Setup and

Maintenance, Terms Codes, Distribution account codes **(tblArDistCode)**, Setup and Maintenance Distribution Codes.

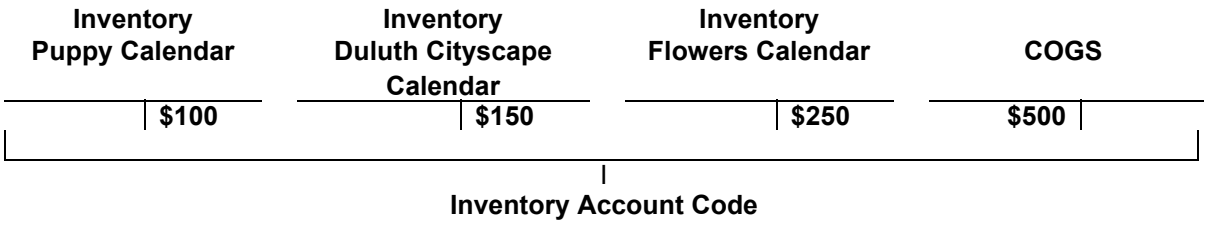
Customer order information is stored in the Open Order tables **(tblSoTransHeader) and (tblSoTransDetail)** until posted. When you post transactions, open invoices are created in the Open Invoice table **(tblArOpenInvoice)**, Invoice view and Open Invoices, Hold Release Invoices.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.



The Distribution account codes **(tblArDistCode)** define the accounts to be used for Sales Tax, Freight, Misc. and Account Receivable.

The following entries are made to reflect the effect on Inventory. This accounts from account codes (tblInGlAcct) in inventory.



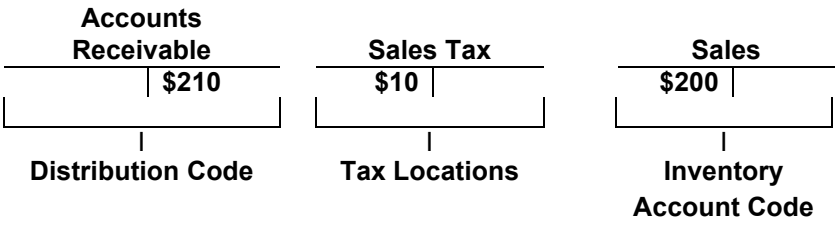
2. **Enter Returns**

Use the Miscellaneous Credits function to enter the returns. Do not enter a negative quantity when entering Miscellaneous Credits, the system knows it is a Miscellaneous Credit.

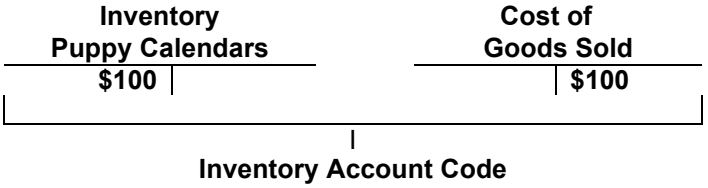
The order records are stored in the Open Order tables **(tblSoTransHeader) and (tblSoTransDetail)** until posted. When you post transactions, open invoices are created in the Open Invoice table **(tblArOpenInvoice)**, Invoice view and Open Invoices, Hold Release Invoices.

Our customer (ABC Gifts) decided to return some of the Puppy calendars ($200). We credit them for the original cost. The sales tax is refunded but not the freight or the handling (Misc.).

The following entries are made in the GL Journal table (tblGlJrnl), Transaction Journals, GL Journal or Activity Report, when we post transactions.



The following entries are made to reflect the effect on Inventory.



3. **Enter Cash Receipts**

The Accounts Receivable Cash Receipts function is used to record payments from customers. Customers are designated as "Open Invoice" or "Balance Forward" in the customer table **(tblArCust)**. Cash receipts **(tblArCashRctpHeader) and (tblArCashRctpDetail)** for "Invoice" customers are applied against individual invoices. For "Balance Forward" customers receipts are applied against outstanding balances.

Payment methods that are accepted need to be set up in the Payment Methods function and table **(tblArPmtMethod)**.

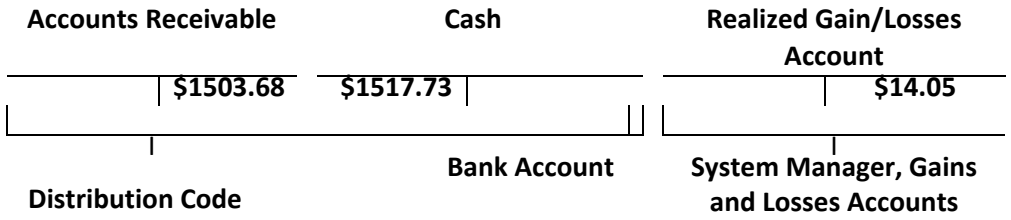
Realized Gains and Losses - Post Cash Receipts

If you use multicurrency, TRAVERSE automatically creates entries for any realized gains or losses due to fluctuating currency exchange rates for cash receipts in the accounts you specified in the System Manager Gains and Losses Accounts function to record those gains and losses for correct accounting. Because individual transactions may have been recorded with different exchange rates, information is always posted in detail when you use multicurrency.

We posted an invoice for a total of €1,136.78 using a vendor from Europe that wants their invoice and pays us in Euros. The exchange rate was .744 Euros to 1 Dollar which converts to $1,517.73.

When we receive the payment for the invoice the exchange rate now has changed to .749 Euros to 1 dollar. This translates to a gain of $14.05 with the new exchange rate vs. the original exchange rate of the invoice.

When you post cash receipts, entries are made to several accounts in the GL Journal, as shown below.



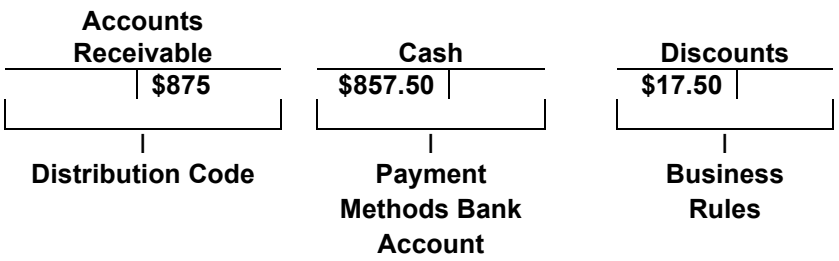
NOTE: The realized gains account will be credited if you have had a gain on the exchange rate differences and the realized losses account will be debited if you have had a loss on the exchange rate differences.

Bank Reconciliation Interfaced

When Bank Reconciliation is interfaced with Sales Order, posting accounts receivable transactions updates the Transactions **(tblBrMaster)** file with the deposits for the cash receipts in the bank accounts records. These deposits can be viewed in the Reconciliation function.

Our customer (ABC Gifts) decides to pay their invoice in time to take full advantage of the terms. The terms of the sale are 2/10 n/30 (tblArTermsCode). The terms do not apply to the Freight and the Misc. charges. For our example the following accounts are affected when you post Cash Receipts. They have paid the invoice by check (tblArPmtMethod).

The following entries are made in the GL Journal table (tblGlJrnl), Transaction Journals, GL Journal or Activity Report, when we post transactions.

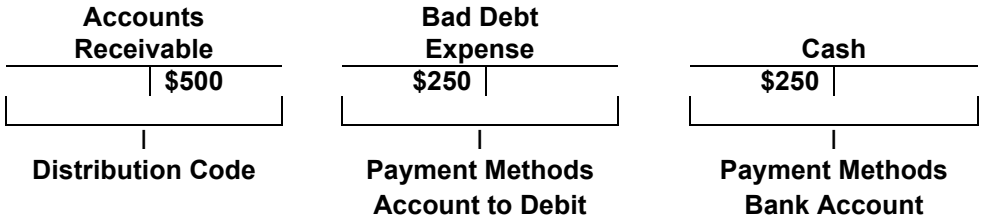


4. **Write-off To Bad Debt**

To write off an account (or a portion), use the Accounts Receivable Cash Receipts function. Enter the amount to be written off in the Payment Amount field, then select "Write-off to Bad Debt" for the "Payment Methods" **(tblArPmtMethod)**.

We have settled a dispute with "Ace Calendars Inc.", receiving only $250 (Cash) on their account, and we will write-off the $250 remaining on their account.

The following entries are made in the GL Journal table (tblGlJrnl), Transaction Journals, GL Journal or Activity Report, when we post transactions.

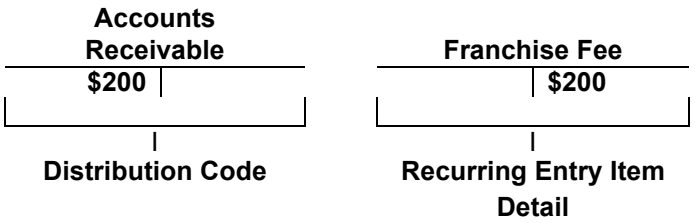


5. **Copy Recurring Orders**

The Recurring Entries tables **(tblSoRecurHeader) and (tblSoRecurDetail)** are used to store information about transactions that come up repeatedly. Use the Copy Recurring Entries function to copy orders from the Recurring Entries tables **(tblSoRecurHeader) and (tblSoRecurDetail)** to the Transactions tables **(tblSoTransHeader) and (tblSoTransDetail)**.

We have a recurring entry (tblSoRecurHeader) and (tblSoRecurDetail) set up for Bob's Gifts Inc. The recurring entry represents our franchise fee (Calendars-R-Us) of $200, and is billed on the 15th of each month.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.

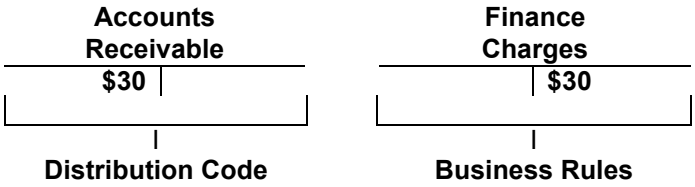


6. **Calculate Finance Charges**

Finance charges are assessed only for customers that are set up for finance charges, in the Customers table **(tblArCust)**. The calculation is based on the minimum charge, the percentage, the invoice date (or due date), and the cutoff days specified in the Business Rules.

When we run the Accounts Receivable Calculate Finance Charges function, Bob's Gifts Inc. is assessed a finance charge of $30.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we run periodic maintenance.



7. **Transaction Summary**

Accounts Receivable		Cash		Discounts	
1. $1085	2. $210		3. $857.50	3. $17.50	
	3. $875		4. $250		
	4. $500				
5. $345					
6. $200					
7. $30					

Sales Tax		Freight		Misc.		Sales	
	1. $50		1. $25		1. $10		1. $1000
2. $10						2.$200	
	4. $15		4. $20		4. $10		4. $300

Inventory Puppy Calendars		Inventory Duluth Cityscape		Inventory Flowers Calendars		Inventory Lighthouse Calendars	
	1. $100		1. $150		1. $250		
2. $100							4. $150

Cost of Goods Sold		Franchise Fees		Finance Charges		Bad Debt Expense	
1. $500							
	2. $100					4. $250	
4. $150			5. $200		6. $30		

9

PROJECT COSTING

PROJECT COSTING AND GENERAL LEDGER

The TRAVERSE Accounting Software Project Costing package is designed to suit the basic needs of almost any firm. The Project Costing System will track time tickets for employees, calculate overhead, adjust fixed fee projects to match the fixed fee amounts to the accrued income amounts, create Billing invoices for fixed fee and time and material type projects and create a number of management reports.

In order to clear up confusion on accounting methods employed by Open Systems, Inc. in the design of the Project Costing module, this a model of the flow of accounting entries between **Project Costing and General Ledger**.

For our example we will use a printing firm. First we keep track of the time our employees have worked on projects. We have been contracted by a customer to make custom calendars under project number 11111 as a Job Cost project. We also have been contracted by a customer to custom make calendars on a time and material basis as a Billable project. We have been contracted by another customer to make custom calendars at a fixed fee for the whole calendar run and have decided to use the Billable, Fixed Fee type of project.

We will calculate overhead for each of the projects so we can track our indirect costs and bill our time and material customer for our indirect costs. We will run the fixed fee adjustments, to adjust our billed amounts to match our accrued income amount. We will then do history adjustments to make corrections to transactions that have been posted with incorrect amounts.

NOTE: To be able to close a fixed fee project, all transactions must be at a Billed status and Income, Billed and Fixed Fee should must all match.

When the Job Cost project is complete, we will run the Post Completed Jobs function to move the cost and income amounts out of the WIP and Fixed Fee Billings accounts to the Cost and Income accounts. This will record out cost and income in the general ledger accounts.

- When you post transactions, records are generated to be viewed using the Activity View for time tickets and transactions. Records will also be generated that can be seen in the Transfer Billings function on the Billings menus. These transactions can then be transferred to be invoiced through project costing.

The system creates temporary tables to store line-item entries and totals information. As information is posted, line-item information is posted first, then totals are updated. When all line items are posted summary GL entries are calculated.

If Project Costing is interfaces with General Ledger, debit and credit entries are created in the GL Journal. If detail information is posted, entries are made for each time ticket transaction and each transaction line item. If summary information is posted, one entry is made for each account. If the accounting period is closed, you can either edit transactions or use the System Manager **Period Conversion** function to open the accounting period and then post the transactions.

If Project Costing interfaces with Inventory, posting Project Costing transactions updates the available quantities, dates, and balances in Inventory.

Posting transactions also updates activity for each project record. The actual start date is updated with the post date of the first transaction/time ticket posted to the project.

If Payroll is installed and interfaced with Project Costing, you will be offered an option to transfer the transactions being posted to the Payroll transaction table. Transfers to the interfaced payroll application will fail for transactions without valid earnings codes or other such data integrity violations. All failed transactions will be listed on an exception report that is generated during that process.

An invalid earnings code might be one that exists in Payroll but has not been included as a valid earnings code for a specific employee. This can be used to intentionally prevent certain types of transfers from taking place.

> **For example:** you may have salaried employees using the time ticket function and do not intend to have their hours transferred to the payroll system when time tickets are posted. Now let's assume that the name defined for the first rate level is “Standard” and that level has been mapped to an earnings code called “Hourly” in the interfaced payroll application. Let's also assume that the “Hourly” earnings code is intended to be used only by those employees that are paid on an hourly basis. When the “Standard” rate level is used by the salaried employee, the transaction will be rejected during the transfer because that employee was not setup to use the “Hourly” earnings code.

The general ledger (if interfaced) is also updated. The distribution code assigned to the project, phase or task charged provides most general ledger accounts used. If Project Costing is interfaced to Inventory and you are posting material requisition transactions the inventory account comes from the inventory account code assigned to the item in the location selected for the transaction.

The general ledger accounting for transaction/time ticket entries in a time billing environment, i.e., billable projects, is as follows:

Billable Time Non Fixed Fee

Costs				Income			
Cost		**Payroll Clearing**		**WIP**		**Accrued Income**	
DB			CR	DB			CR

Billable Material Non Fixed Fee

Costs				Income			
Cost		**Inventory**		**WIP**		**Accrued Income**	
DB			CR	DB			CR

NOTE: When posting a Material Return the opposite transactions will be generated for the accounts listed above.

Billable Expense and Other Non Fixed Fee

Costs				Income			
Cost		**WIP**		**WIP**		**Accrued Income**	
DB			CR	DB			CR

Billable Time Fixed Fee

Costs			
Cost		**Payroll Clearing**	
DB			CR

Billable Material Fixed Fee

Costs

Cost	**Inventory**
DB	CR

NOTE: When posting a Material Return the opposite transactions will be generated for the accounts listed above.

Billable Expense and Other Fixed Fee

Costs

Cost	**WIP**
DB	CR

If the transaction/time ticket relates to either an administrative or non-billable project, phase or task, the cost entry below will be created.

Non-Billable and Administrative Time

Costs

WIP	**Payroll Clearing**
DB	CR

Non-Billable and Administrative Material

Costs

Cost	**Inventory**
DB	CR

NOTE: When posting a Material Return the opposite transactions will be generated for the accounts listed above.

Non-Billable and Administrative Expense and Other

Costs

Cost		**WIP**	
DB			CR

The general ledger accounting for transactions/time ticket entries in a job costing environment is as follows:

Job Cost Time

Costs

Cost		**Payroll Clearing**	
DB			CR

Job Cost Material

Costs

WIP		**Inventory**	
DB			CR

NOTE: When posting a Material Return the opposite transactions will be generated for the accounts listed above.

Job Cost Expense and Other

Costs

WIP		**WIP**	
DB			CR

The cost of the transaction that is credited to the payroll clearing account could be offset by an entry made when the payroll is paid or accrued if so desired. The balance in the payroll clearing account would represent the variance between the standard costs used in time ticket entry and the actual payroll cost.

This provides you with the ability to quickly evaluate the standard costs you are using for employees. Alternately, you could compare the balance in the payroll clearing account to actual payroll related cost accounts to achieve the same goal.

It is important to note that if there is a timing difference between the entry of time tickets and the accrual of payroll costs, an adjustment to the payroll clearing account followed by a corresponding reversal in the following month will be necessary if financial statements are being issued.

When you post project costing transactions that are job cost and billable fixed fee transactions the fixed fee billings account will replace the sales account.

1. **Enter Time**

Employees worked on the Job Cost calendar project for 20 hours at a cost of $25 per hour, for a total cost of $500. Time Tickets were entered and posted for the employees' time.

Employees worked on the Billable, time and material project for 20 hours at a cost of $25 per hour for, a cost of $500. A billing rate of $50 per hour for a total of $1000 posted wasposted as accrued income and billed to the customer.

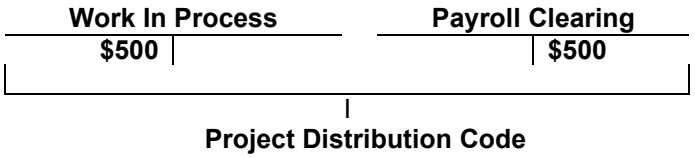
Employees worked on the Billable, fixed fee project for 22 hours at a cost of $25 per hour, for a cost of $500. A billing rate of $50 per hour for a total of $1100, will be posted as accrued income.

Information on projects is stored in the Project Table **(tblPcProject)** including attribute tables for phases **(tblPcProjPhase)**, tasks **(tblPcProjTask)** and Distribution Codes **(tblPcDistCode)**, set up using the Projects function on the Setup and Maintenance menu.

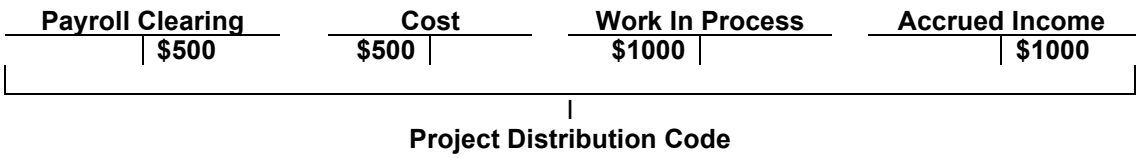
The time ticket information is entered using the Time Ticket Entry function on the Time Tickets menu and is stored in the Transaction tables **(tblPcTimeTicket)** until posted. The Post Time Tickets function transfers information in the Transaction tables into the Transaction History table. **(tblPcActivity)**

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post time tickets.

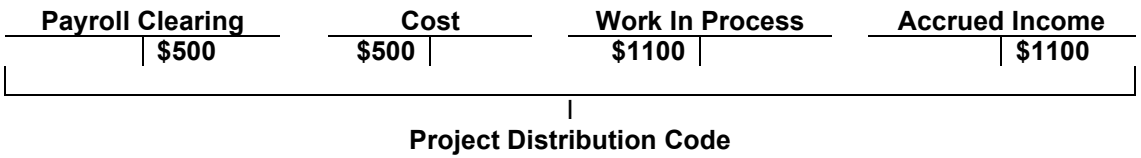
Job Cost Project



Billable Time and Material Project



Billable Fixed Fee Project



2. Transactions

Use the **Transactions** function to record project activity. You can enter four types of transactions: Material Requisition, Material Return, Expense, or Other. You can also use this function to generate PO transaction or requisitions, including transaction links. When you enter a valid Inventory item in a Material Requisition or Material Return, the Inventory quantity is updated unless you link it to a PO drop-ship transaction.

We need some of the paper we have in our inventory, for use in the office. The paper we need cost us $25.

We need some of the paper we have in our inventory, for use on a Job Cost type project. The paper we need cost us $50.

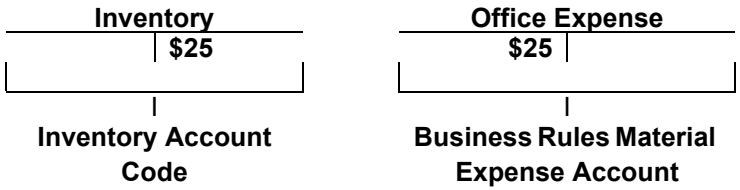
We need some of the paper we have in our inventory, for use on a time and material Billable type project. The paper we need cost us $75 and we have a 100% markup entered into the project setup.

The paper taken out for our use in the office is entered into the Item Detail tab and the paper being used for the projects is entered into the Project Detail tab, as 2 line items, one for each project.

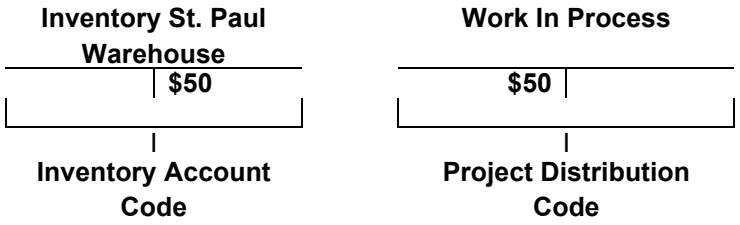
We use the Material Requisitions function to enter the information. This creates a record in the Material Requisitions tables **(tblInMatReqHeader) and (tblInMatReqDetail)**.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post material requisitions.

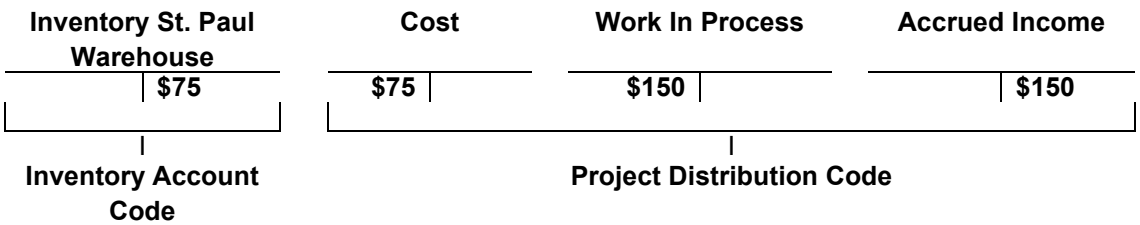
Internal Usage items



Job Cost Project



Billable Project



When you post transactions, records are generated to be viewed using the Activity View for time tickets and transactions. Records will also be generated that can be seen in the Transfer Billings function on the Billings menus. These transactions can then be transferred to be invoiced through project costing.

The system creates temporary tables to store line-item entries and totals information. As information is posted, line-item information is posted first, then totals are updated. When all line items are posted summary GL entries are calculated.

If Project Costing is interfaces with General Ledger, debit and credit entries are created in the GL Journal. If detail information is posted, entries are made for each time ticket transaction and each transaction line item. If summary information is posted, one entry is made for each account. If the accounting period is closed, you can either edit transactions or use the System Manager **Period Conversion** function to open the accounting period and then post the transactions. See the **Period Conversion** function in the *System Manager Training Manual* for more information.

If Project Costing interfaces with Inventory, posting Project Costing transactions updates the available quantities, dates, and balances in Inventory.

Posting transactions also updates activity for each project record. The actual start date is updated with the post date of the first transaction/time ticket posted to the project.

The general ledger (if interfaced) is also updated. The distribution code assigned to the project, phase or task charged provides most general ledger accounts used. If Project Costing is interfaced to Inventory and you are posting material requisition transactions the inventory account comes from the inventory account code assigned to the item in the location selected for the transaction.

The general ledger accounting for transaction/time ticket entries in a time billing environment, i.e., billable projects, is as follows:

Billable Material Non Fixed Fee

Costs				Income			
Cost		**Inventory**		**WIP**		**Accrued Income**	
DB			CR	DB			CR

NOTE: When posting a Material Return the opposite transactions will be generated for the accounts listed above.

Billable Expense and Other Non Fixed Fee

Costs				Income			
Cost		**WIP**		**WIP**		**Accrued Income**	
DB			CR	DB			CR

Billable Material Fixed Fee

Costs

Cost		**Inventory**	
DB			CR

NOTE: When posting a Material Return the opposite transactions will be generated for the accounts listed above.

Billable Expense and Other Fixed Fee

Costs

Cost		**WIP**	
DB			CR

If the transaction relates to either an administrative or non-billable project, phase or task, the cost entry below will be created.

Non-Billable and Administrative Time

Costs

WIP		**Payroll Clearing**	
DB			CR

Non-Billable and Administrative Material

Costs

Cost		**Inventory**	
DB			CR

NOTE: When posting a Material Return the opposite transactions will be generated for the accounts listed above.

Non-Billable and Administrative Expense and Other

Costs

Cost		**WIP**	
DB			CR

The general ledger accounting for transactions/time ticket entries in a job costing environment is as follows:

Job Cost Material

Costs

WIP		**Inventory**	
DB			CR

NOTE: When posting a Material Return the opposite transactions will be generated for the accounts listed above.

Job Cost Expense and Other

Costs

WIP		**WIP**	
DB			CR

The cost of the transaction that is credited to the payroll clearing account could be offset by an entry made when the payroll is paid or accrued if so desired. The balance in the payroll clearing account would represent the variance between the standard costs used in time ticket entry and the actual payroll cost.

This provides you with the ability to quickly evaluate the standard costs you are using for employees. Alternately, you could compare the balance in the payroll clearing account to actual payroll related cost accounts to achieve the same goal.

It is important to note that if there is a timing difference between the entry of time tickets and the accrual of payroll costs, an adjustment to the payroll clearing account followed by a corresponding reversal in the following month will be necessary if financial statements are being issued.

When you post project costing transactions that are job cost and billable fixed fee transactions the fixed fee billings account will replace the sales account.

3. Enter Billings

One of our regular customers (ABC Gifts) contracts us to make 250 custom calendars for a fixed fee amount of ($1000.). It has been decided to use the Job Cost type of project for this customer. The invoice also includes: $50 sales tax (calculated from the Tax Locations), $25 for freight charges, and a $10 handling fee (Misc). (When you enter an invoice for a Billable Fixed Fee project the General Ledger entries are the same as for the Job Cost project.)

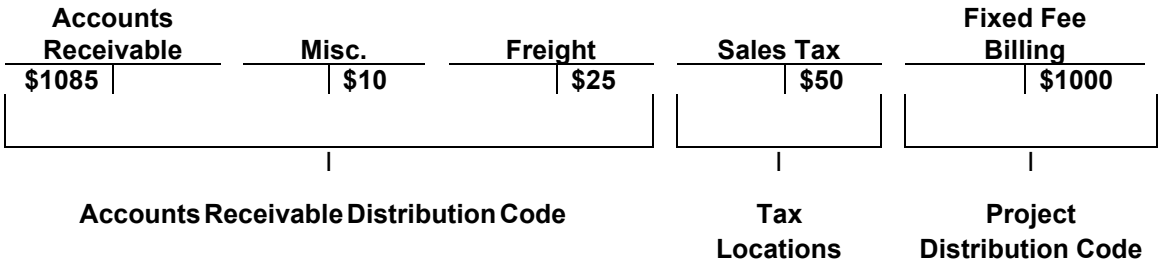
Another one of our regular customers (Riverside Stationary) has asked us to make custom calendars for a time and material project for 250 calendars which totals the amount of ($1000.). It has been decided to use the Billable type of project for this customer. Materials for this project were purchased and posted through Accounts Payable and then the Transfer Billings process was run in Project Cost. The invoice also includes: $50 sales tax (calculated from the Tax Locations), $25 for freight charges, and a $10 handling fee (Misc).

Information on customers is stored in the Customer table **(tblArCust)**, Setup and Maintenance, Customers, including attribute tables for Terms Codes **(tblArTermsCode)**, Setup and Maintenance, Terms Codes, Distribution account codes **(tblArDistCode)**, Setup and Maintenance Distribution Codes.

Customer billing information is stored in the Transfer Billings tables **(tblPcWIPHeader and tblPcWIPDetail),** Billing, Transfer Billings function, until posted. When you post billings, open invoices are created in the Open Invoice table **(tblArOpenInvoice)**, Invoice view and Open Invoices, Hold Release Invoices.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post billings.

Job Cost Project



When a Job Cost project is completed the Post Completed Jobs function must be run in Project Costing to move the income amount out of the Fixed Fee Billings account and put it into the Income account designated in the Distribution Code assigned to the project.

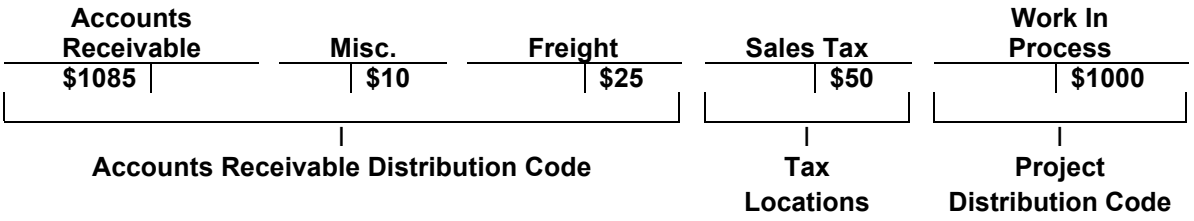
When a billable fixed fee project is billed and posted, the amount billed is retained in a deferred account. When the project is closed, the balance in Work In Process will equal the balance in the deferred account and so the following manual entry will be required:

Debit:Fixed Fee Billings

Credit: Work In Process

To remove the deferred amount and the related work in process amount for billable fixed fee projects that have been closed.

Billable Time and Material Project



When material, expense, other or time is posted to a Billable, non-fixed fee project the income amount calculated from the material, expense and other markup percent and the Employee Rate set up in the Employee Rates will be posted to the Income and WIP accounts. When the AR invoice is posted for this type of project the billed amount is posted to WIP to back out the income amount from this account.

The Distribution account codes (tblArDistCode) define the accounts to be used for Freight, Misc. and Account Receivable. The sales tax amount was calculated from the Tax Locations, Tax class setup. The GL account comes from the Tax Locations setup, Liability account.

4. **Enter Returns**

Our customer (ABC Gifts) decided to return some of the calendars ($200). We credit them for the original cost. The sales tax is refunded but not the freight or the handling (Misc.).

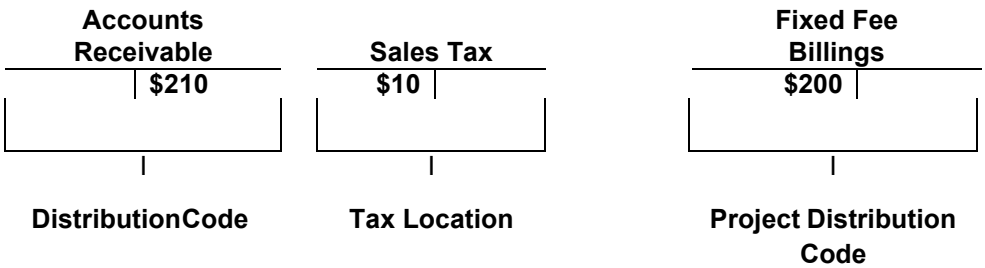
Our customer (Riverside Stationary) decided to return some of the calendars ($200). We credit them for the original cost. A credit memo was made using the Unbill function in Project Cost. The sales tax is refunded but not the freight or the handling (Misc.).

Use the Billing, Credit Memo function to enter the returns, not for specific Billable Time and Material projects. Do not enter a negative quantity when entering Credit Memos, the system knows it is a Credit Memo.

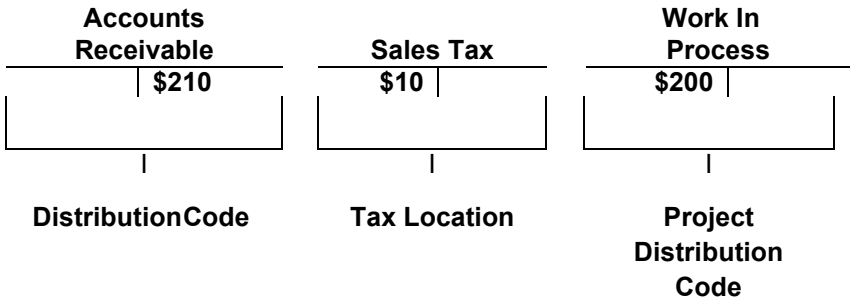
The transaction records are stored in the Transactions tables **(tblPcInvoiceHeader) and (tblPcInvoiceDetail),** Transactions, Transactions function, until posted. When you post transactions, open invoices are created in the Open Invoice table **(tblArOpenInvoice)**, Invoice view and Open Invoices, Hold Release Invoices.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post transactions.

Job Cost Project



Billable Time and Material Project



5. **Overhead Allocations**

In order to determine realistic, approximate costs for the products produced, a company allocates an overhead cost along with direct labor and material costs to each product. The overhead cost allows for such costs as depreciation, material, handling, repairs, taxes, heat, etc. which cannot be assigned to each product as the expenses are incurred.

To determine the overhead allocation, a company first estimates the production volume for the next year and then estimates the overhead expenses which will be incurred. For example, a company may estimate that they will use 150,000 direct labor hours or $2,000,000 in direct labor expenses next year, while spending $300,000 on all overhead expenses. Next, the company picks a basis for allocating overhead, such as labor hours or dollars. In this case, overhead could be allocated at $2 per labor hour or $.15 per labor dollar.

During the year, a product is produced and overhead is allocated to that product or job. For example, 10,000 labor hours may be spent on jobs in January. At $2 per hour, $20,000 of overhead will be allocated to these jobs. In the General Ledger, the $20,000 will be debited to the Cost or WIP Account depending on the job type and a credit to a control account called Overhead Contra.

At the same time, expenses are incurred for heat, light, supplies and other expenses. In January, $25,000 may actually be spent for these expenses. By comparing the Overhead Allocation account to the actual expenses, the company can determine that $5,000 more overhead was expensed than allocated. This may have happened because volume in January was less than expected or expenses were higher or the initial estimate was incorrect.

An Overhead Allocation Code is set up to calculate $.50 for each dollar of time spent working on a project. We run the Prepare Overhead Allocations process and we get the following results when we print our Overhead Allocations Report:

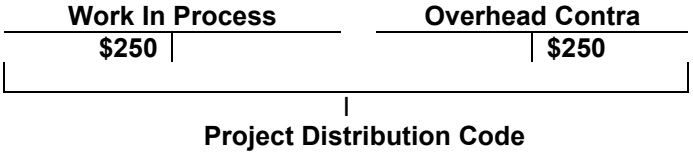
Job Cost Project: $250

Billable Time and Material Project: $250 (which can be transferred to Accounts Receivable to be invoiced.)

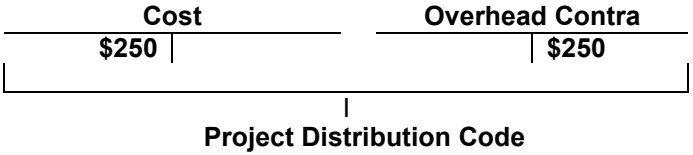
Billable Fixed Fee Project: $275

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post allocations.

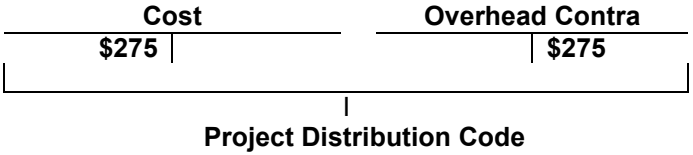
Job Cost Project



Billable Time and Material Project



Billable Fixed Fee Project



6. **Project Adjustments**

Use the functions on the Project Adjustment menu to enter adjustments for Billable and Job Cost projects and to establish history for projects already in process when you set up the Project Costing system.

The Fixed Fee Adjustment functions (Fixed Fee Adjustments, Fixed Fee Adjustments Journal, and Post Fixed Fee Adjustments) are obsolete. Now, when you close a billable and fixed fee project, a warning appears if the billed amount does not equal the setup fixed fee amount.

If any projects are already in progress when you set up the Project Costing system, use the Adjustments function to enter time and material costs and accrued income amounts for these projects. You can also use this function to enter time, material, expense and other costs or income amounts that you cannot record through time tickets or transactions. You can also enter adjustments to deposits and deposits that have been applied.

Before you post adjustments, print the Adjustments Journal to verify the transactions you plan to post. If any information is incorrect, use the adjustments function to edit the information. If all the information appears correct, use the Post Adjustments function to post the transactions and create account entries as appropriate.

Using the Project Adjustments Menu

Use the Project Adjustments Menu selections to do the following:

- The primary purpose of the **Adjustments** function is to let you enter details for projects that are already in process when you first set up the Project Costing system. Using this function, you can enter time, material, expense, deposit, deposit applied, fixed fee billing, and other amounts for a project or tasks without having to enter time tickets or transactions in Accounts Payable/Purchase Order.
- Use the **Adjustments Journal** function to print a list of all transactions you create in the Adjustments function. Print the journal before you post adjustments to check for any mistakes or omissions. The journal also serves as part of your audit trail.
- The **Post Adjustments** function creates an entry in the transaction activity table containing the type, status, quantity, cost, and invoice amount you enter using the Adjustments function. Posting also updates period-to-date, year-to-date, and project-to-date totals for the projects.

The primary purpose of the **Adjustments** function is to let you enter details for projects that are already in process when you first set up the Project Costing system. Using this function, you can enter time, material, expense, deposit, deposit applied, fixed fee billing, and other amounts for a project or tasks without having to enter time tickets or transactions in the transactions menu.

While you should enter subsequent project information using the appropriate transaction entry functions, you can also use this function to make project adjustments directly. For example, you could use this function to transfer charges between projects or assign other costs to projects when time tickets, Project Cost transactions, Accounts Payable/Purchase Order transactions, or overhead allocations do not meet your needs.

The adjustment entries generated with this function are identified in the activity table (**tblPcActivity**) with a resource ID of “Adjustment”. In the general ledger, the entry will have a source of “PM” and a reference of “Adjust”.

When you **Post Adjustments**, records are written to the activities table to record the adjustment activity. When adjustments are posted for billable non fixed fee transactions records are written to the transfer billings function so they can be billed to the customer. Cost records are written to the transfer billings function for billable fixed fee and job cost type projects.

The system creates temporary tables to store project adjustment entries and totals. As information is posted, project activity information is posted first, then totals are updated. When all project adjustments are posted summary GL entries are calculated.

If Project Costing interfaces with General Ledger, debit and credit entries are created in the GL Journal. If detail information is posted, entries are made for each project adjustment. If summary information is posted, one entry is made for each account. If the accounting period is closed, you can either edit billings or use the System Manager **Period Conversion** function to open the accounting period and then post the billings. See the **Period Conversion** function in the System Manager Training Manual for more information.

The general ledger (if interfaced) is also updated. The distribution code assigned to the project, phase or task charged provides most general ledger accounts used.

The general ledger accounting for adjustment entries in a time billing environment, i.e., billable projects, is as follows:

When the final invoice has been sent to the customer for a total of $1000 our accrued income amount posted is $1100, we will need to do a write down on our adjustments to make our billed and accrued income amounts match. the T-Accounts include $’s from Example 4 below because it was processed after entering Adjustments.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post fixed fee adjustments.

Billable Fixed Fee Project

Adjustments		Cost	
$124			$124

Project Distribution Code

Fixed Fee Billing		Work In Process	
$1100			$1100
$24			$24

Project Distribution Code

Below are the entries made for all the possible types of adjustments.

NOTE: The following entry representations are for increase adjustments.

Billable Time Non Fixed Fee

Costs				Income			
Cost		**Payroll Clearing**		**WIP**		**Accrued Income**	
DB			CR	DB			CR

Billable Material, Expense and Other Non Fixed Fee

Costs				Income			
Cost		**Adjustment**		**WIP**		**Accrued Income**	
DB			CR	DB			CR

NOTE: When posting a decrease adjustment the opposite transactions will be generated for the accounts listed above.

Billable Time Fixed Fee

Costs	
Cost	**Payroll Clearing**
DB	CR

Billable Material, Expense and Other Fixed Fee

Costs	
Cost	**Adjustment**
DB	CR

NOTE: When posting a decrease adjustment the opposite transactions will be generated for the accounts listed above.

If the adjustment relates to either an administrative or non-billable project, phase or task, the cost entry below will be created.

Non-Billable and Administrative Time

Costs	
Cost	**Payroll Clearing**
DB	CR

Non-Billable and Administrative Material, Expense and Other

Costs	
Cost	**Adjustment**
DB	CR

NOTE: When posting a decrease adjustment the opposite transactions will be generated for the accounts listed above.

The general ledger accounting for adjustments entries in a job costing environment is as follows:

Job Cost Time

Costs

WIP		Payroll Clearing	
DB			CR

Job Cost Material, Expense and Other

Costs

WIP		Adjustment	
DB			CR

NOTE: When posting a decrease adjustment the opposite transactions will be generated for the accounts listed above.

7. **More Adjustments**

The primary purpose of the adjustments function is to set up the details of projects when Project Costing is first implemented. However, it can also be used to make adjustments directly to projects throughout the life of the projects. For example, you can transfer charges between projects or assign costs to projects when time ticket entry, accounts payable entry or overhead allocations do not provide the necessary interface to accommodate your needs.

Transactions can be given an identity of **Time, Material, Expense, Other, Deposit, Deposit Applied** and **Fixed Fee Billing** and can be flagged as either "Posted" or as "Billed" with this function. The quantity, extended cost and extended income amounts are entered on the user interface screen. The unit cost and unit income are computed from the entered amounts.

The transaction entries generated with this function are identified in the activity table (**tblPcActivity**) with a resource ID of "ADJUSTMENT". Month-to-date and year-to-date fields are updated in the project tables for the amounts entered here. When you post History Adjustments, general ledger entries are created.

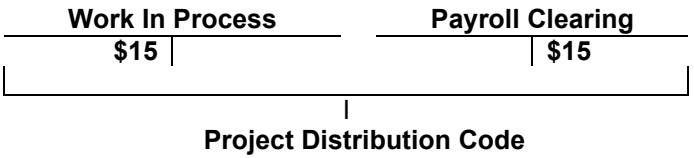
When our time was entered for our Job Cost project, the calculation of the cost was incorrect compared to what the actual cost was for the time. The time cost was understated by $15. We entered a history adjustment increase for Time of 1 unit at $15 for the cost.

When our time was entered for our Billable Time and Material project, the calculation of the cost and income was incorrect compared to what the actual cost and income were for the time. The time cost was understated by $10 and the income was understated by $20. We entered a history adjustment increase for Time of 1 unit at $10 for the cost and $20 for the income.

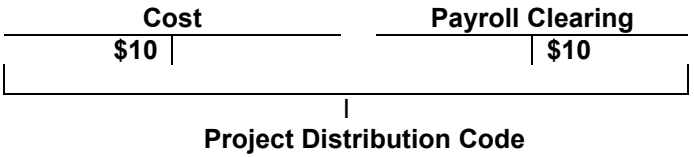
When time was entered for our Billable Fixed Fee project the, calculation of the cost and income was incorrect compared to what the actual cost and income were for the time. The time cost was understated by $12 and the income was understated by $24. We entered a history adjustment increase for Time of 1 unit at $12 for the cost and $24 for the income.

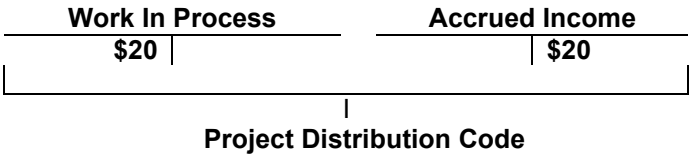
The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post history adjustments.

Job Cost Project

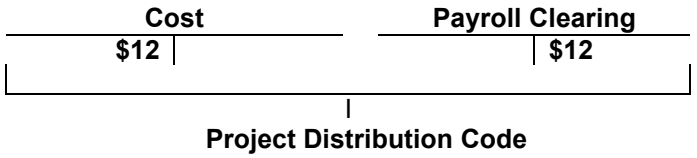


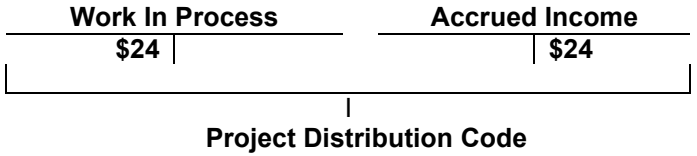
Billable Fixed Fee Project





Billable Time and Material Project





8. **Post Completed Jobs**

This function creates a general ledger entry that transfers the cost-to-date of a selected job costing project or phase from a work in process general ledger account to a cost general ledger account. It also transfers the deferred income-to-date on those projects or phases from the fixed fee billings general ledger account to an income general ledger account.

A project or phase can be posted more than once. The costs used in the entries created are based upon those transactions which are flagged as “In Process”. During the posting process, the flag on all “In Process” transactions is changed to “Billed/Charged” so that subsequent postings will not duplicate previously recorded amounts. Cumulative income amounts previously recorded are maintained in the project or phase table to allow this function to avoid duplicating income entries.

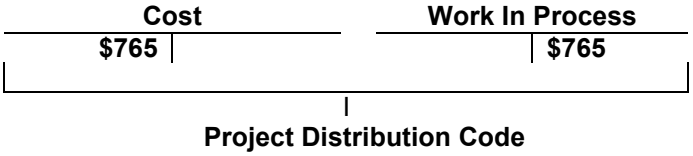
It is important to note that if the status of any transaction related to the project or phase selected for posting is other than “In Process” or “Billed/Charged” when you attempt to run the function, you will not be allowed to complete the process. You will also be prevented from completing the process if there are any computed overhead allocations on file or if there are any unposted history adjustments.

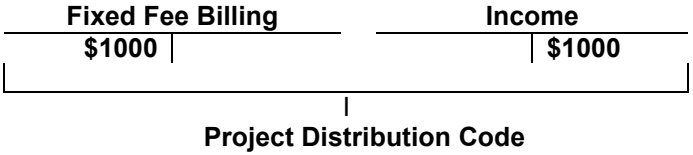
It is also important to note that this function does not close a project or phase. The project or phase posted here must still be closed using the Close Projects/Phases/Tasks function if you wish to prevent future charges from being made to the project or phase.

The general ledger (if interfaced) is updated. The distribution codes assigned to the project, phase or task provide the necessary general ledger accounts. The general ledger accounts used for costs are obtained from the lowest level of the project structure where costs are recorded. The general ledger accounts for income, on the other hand, are obtained from the lowest level of the project at which billings are recorded.

The Job Cost project is now complete and we want to transfer costs and income from our Work In Process and Fixed Fee Billings accounts to our Cost and Income accounts. We had a time cost of $500, an overhead allocation calculation of $250 and a history adjustment on time of $15 for our total of $765 and we billed the customer $1000 through Accounts Receivable.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post completed jobs.





9. **Deposit Transactions**

Use the **Deposits** function to create an Accounts Receivable Cash Receipt and send all other applicable deposit information to the other areas of the systems. The Deposit transaction entered into project costing will generate a cash receipt transaction in Accounts Receivable for the customer tied to the project the deposit is entered for. The invoice number for the cash receipt will be the project/task ID the deposit was applied to.

No separate transfer to the accounts receivable cash receipt tables is required. When the entry is complete, the transaction is automatically created. If the transaction needs to be deleted or adjusted, it can be modified or removed in Accounts Receivable.

In business rules for Project Costing enter a Customer Deposit Account using a receivables holding account.

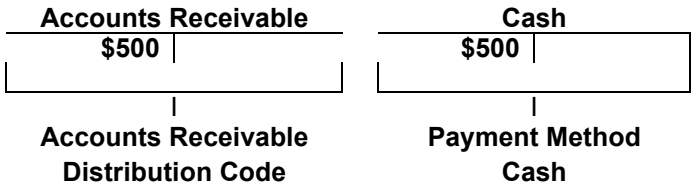
Our customer for our Job Cost project has sent in their required 50% deposit of $500 for their $1000 fixed fee amount. We enter a deposit transaction into the Billing, Deposit Transactions function to the project and make an AR cash receipt. We then would post the cash receipt in AR to update our GL accounts for the cash receipt.

Our customer for our Billable Time and Material project has sent in their required 50% deposit of $500 for their $1000 estimated billing amount. We enter a deposit transaction into the Billing, Deposit Transactions function to the project and make an AR cash receipt for the deposit. We then would post the cash receipt in AR to update our GL accounts for the cash receipt.

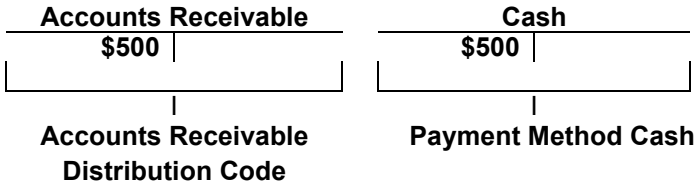
Our customer for our Billable Fixed Fee project has sent in their required 50% deposit of $500 for their $1000 fixed fee amount. We enter a deposit transaction into the Billing, Deposit Transactions function to the project and make an AR cash receipt for the deposit. We then would post the cash receipt in AR to update our GL accounts for the cash receipt.

The following entries are made in the GL Journal table **(tblGlJrnl)**, Transaction Journals, GL Journal or Activity Report, when we post AR transactions.

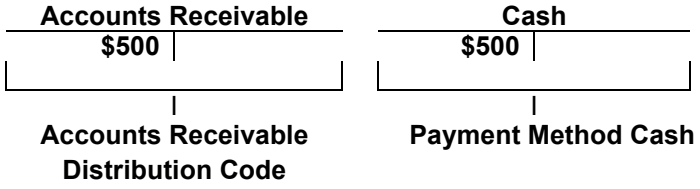
Job Cost Project



Billable Time and Material Project



Billable Fixed Fee Project



When it comes time to apply the deposits to an invoice you will use the Transfer Billings function, Deposits tab and enter the deposit amounts you want applied to the next billings into the Project/Phase/Task you are applying the deposit to.

Deposit Invoice Process

To complete the Deposit Invoice process follow these steps:

1. Enter the deposit invoice information into the Deposit Invoice screen.

NOTE: Applying the Deposit Invoice at the project level is recommended. When the deposit is applied then it can be applied when Tasks/Phases are being billed and apply to the whole project.

2. Print the deposit invoice using the Print button.
3. Post the deposit invoice using the OK button.

   This will post GL entries and add the deposit invoice as an open invoice to the customer's open invoice records. The Invoice Type in the Open Invoice View will be ProForma.

4. Enter and post a cash receipt to record the money received from the deposit to the project.

We have a customer with a project set up as a fixed fee project for a total amount of $20,000. We as for 25% down as a deposit and they want an invoice generated to show they paid the deposit. When we click OK to post the deposit invoice the following GL entries are made.

GL Entries for ProForma invoices

Deposit Receivables	
5,000	

Deposit Receivables Contra	
	5,000

Cash Receipts for Deposit Invoice

Cash	
5,000	

Customer Deposit	
	5,000

5. In the Transfer Billings use the Deposit tab to enter the amount of the deposit you will be applying to the next billing cycle.
6. Transfer your billings and post the billings to apply the deposit amounts to the project and take away the deposit available amount.

GL Entries for Deposit Applied

Customer Deposit	
5,000	

Receivables	
	5,000

7. **Transaction Summary**

Payroll Clearing	
	1a. $500
	1b. $500
	1c. $550
4a. $15	
4b. $12	
4c. $10	

Cost	
1a. $500	
1b.$550	
2b.$250	
2c.$275	
4b. $12	
4c. $10	
5a. $765	

Work In Process	
1a. $500	
1b.$1000	
1c.$1100	
2a. $250	
	3 $1100
4a. $15	3c. $24
4b. $24	
4c. $20	
	5a. $765
	7b. $1020

Income	
	1b. $1000
	1c. $1100
	4b. $20
	4c. $24
	5. $1000

Overhead Contra	
	2a. $250
	2b. $250
	2c. $275

Adjustments	
3c.$124	

Fixed Fee Billings	
3c. $1100	3c. $124
3c. $24	
5a. $1000	
	7a. $1000
	7c. $1000

Accounts Receivable	
6a. $500	6a. $500
6b. $500	6b. $500
6c. $500	6c. $500
7a. $1000	7a. $500
7b. $1020	7b. $500
7c. $1000	7c. $500

Customer Deposits	
7a. $500	6a. $500
7b. $500	6b. $500
7c. $500	6c. $500

Cash	
6a. $500	
6b. $500	
6c. $500	

GENERAL LEDGER

10

GENERAL LEDGER

Intercompany Accounts

Use the **Intercompany Accounts** function on the **Setup and Maintenance** menu to define how the system processes intercompany account transfers when multiple companies use TRAVERSE. Intercompany accounts are used to automatically transfer expenses one company incurs on behalf of another to the appropriate company for correct accounting.

Before you can transfer expenses between companies, the companies must:

- Use the same segment definitions.
- Use the same GL account numbers, at least for the accounts between which expenses are transferred.

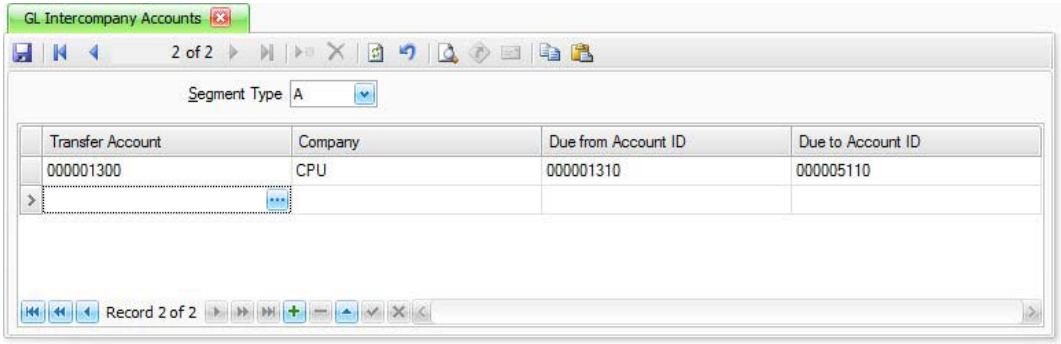
NOTE: The Intercompany Accounts function is only available when the Not-for-Profit application is purchased and activated.

Example-The management company pays the bills for the subsidiary company.

Management company **CPU**

Subsidiary company **CPC**

In company MAN in TRAVERSE, you would setup the **Intercompany Accounts** in **General Ledger**, **Setup and Maintenance**.



Entries are transferred between companies according to the accounts you set up here when you post if you select the **Use Intercompany Accounts** check box in the **Business Rules** function.

Below is an example of what happens when you use the Intercompany Accounts function.

Selected **A** for the **Segment Type.**

Transfer Account: 00-000-1300

Due From Account ID: 00-000-1500

Due To Account ID: 00-000-1520

Original transaction entries:

Account ID	Debit	Credit
00-000-1300	50.00	0.00
00-000-2000	0.00	50.00

Entries after post in **from** company (CPU):

Account ID	Debit	Credit	Notes
00-000-1300	50.00	0.00	From original entries
00-000-2000	0.00	50.00	From original entries
00-000-1300	0.00	50.00	Offset to debit from original entries
00-000-1500	50.00	0.00	Offset to credit from original entries

Entries after post in **to** company (CPC):

Account ID	Debit	Credit	Notes
00-000-1300	50.00	0.00	From original entries in from company (CPU)
00-000-1520	0.00	50.00	Offset to debit from source company (CPU)

Unrealized Gains and Losses Overview

The **Unrealized Gains and Losses Report** lists the amounts your company would gain or lose due to the fluctuating currency exchange rates used to calculate account balances. This report is available only if you use multicurrency.

To calculate the amounts that appear on this report, TRAVERSE performs these steps:

- TRAVERSE scans through the accounts and selects only those that use the currencies you specify.
- Working from history, TRAVERSE determines the balances of these accounts in base currency based on existing transactions (and their exchange rates). This balance represents the actual balance in base currency.

- TRAVERSE then converts the accounts' balances from their foreign currencies to base currency using the periodic rate for the period you specify. These balances represent the exchange balance, that is, the amount you would receive if you closed out that account today.
- Finally, TRAVERSE calculates the difference between the actual balance and the exchange balance. This difference represents the unrealized gain or loss that results from differences in exchange rates from the time you enter transactions to the time you calculate account balances.

The amounts printed on this report represent unrealized gains and losses; that is, these amounts estimate the funds your company would gain or lose if all accounts using foreign currencies were closed at that moment using the periodic exchange rate. Use this report as a tool to view how fluctuating exchange rates affect your business and to verify the accounting entries TRAVERSE makes when you **post unrealized gains and losses** as part of your period-end processing.

The entries that show up on this report are those entries that have not been effected by posting unrealized gains and losses from Accounts Payable and Accounts Receivable.

Post Unrealized Gains and Losses Overview

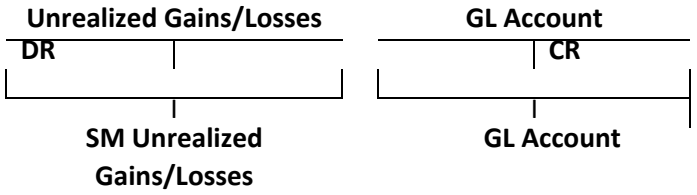
Use the **Post Unrealized Gains and Losses** function to balance accounts and close the books as part of your period-end processing. This function is available only if you use multicurrency.

When you post unrealized gains and losses, TRAVERSE performs these actions:

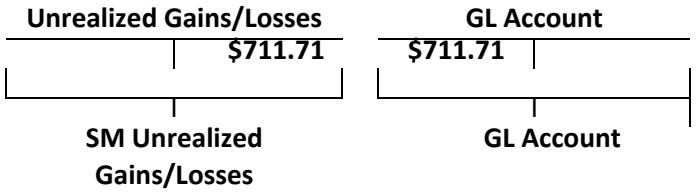
- TRAVERSE identifies the accounts that use currencies other than the base currency and calculates the gain and loss amounts that would result if those accounts were closed at that moment using the most current periodic exchange rate.
- The system then creates entries for these amounts in the accounts you specified in the **System Manager, Gains and Losses Accounts** function to balance accounts for correct accounting so that you can close the books.
- TRAVERSE creates a reversing entry in the next period (with the date you specify) that reverses these entries to make way for the actual realized gains and losses that are recorded when you post payments. The journal entry to the current period will have a source code of G1 and the reversing entry to the next period will have a source code of G2.

The entries that TRAVERSE makes when you post are noted on the **Unrealized Gains and Losses Report**. Print this report before you post unrealized gains and losses to verify these entries.

Source Code G1 to the period selected in the Post Unrealized Gains and Losses screen.



Source Code G2 to the NEXT period from the period selected in the Post Unrealized Gains and Losses screen.



When a loss is recorded the entries above would be reversed.